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## Legislative Assembly of Ontario

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## Assemblée législative de l'Ontario

Première session, 36<sup>e</sup> législature

# Official Report of Debates (Hansard)

Thursday 13 June 1996

# Journal des débats (Hansard)

Jeudi 13 juin 1996



**Standing committee on  
public accounts**

**Comité permanent des  
comptes publics**

**Audit act amendments**

**Amendements à la Loi sur  
la vérification des comptes publics**

Chair: Dalton McGuinty  
Clerk: Todd Decker

Président : Dalton McGuinty  
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## LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON  
PUBLIC ACCOUNTS

Thursday 13 June 1996

## ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

COMITÉ PERMANENT DES  
COMPTES PUBLICS

Jeudi 13 juin 1996

*The committee met at 1009 in room 228.*

## AUDIT ACT AMENDMENTS

**The Acting Chair (Mr Bruce Crozier):** It would appear that we have sufficient numbers in attendance, so we'll call this committee meeting to order. Consideration of possible amendments to the Audit Act is on the agenda. The first order of business would be the introduction of some amendments by the Provincial Auditor.

**Mr Erik Peters:** I hope that at this point you have a document before you. It's a letter of mine to Mr McGuinty. With your permission, because you have not seen it, these are the specific amendments that we are proposing to the Audit Act.

There are two documents in this package. The first one is the letter that we received from the office of the legislative counsel which contains the amendments, and it's from Mr Wood. The second document is an extended document. We have on the left-hand side a column that says "Proposed Amendment," and that's Mr Wood's letter reproduced. In the middle is a column called "Current Wording," and that allows you to relate the amendments to the current wording in the Audit Act. On the right-hand side is "Reason for Change," in which we provide a brief paragraph indicating why we are proposing the change.

With your permission, Chair, I would like to go through it, unless the members would prefer to read it and ask questions about it. I leave it in your hands.

**The Acting Chair:** Would the members of the committee agree that perhaps we should have the auditor walk us through this? What would you like? Questions as we go?

**Mr Peters:** Questions as we go. We'll certainly deal with them.

**Mr Gilles Pouliot (Lake Nipigon):** Good morning. With respect, Mr Chair, I expect that Mr Peters would walk us through in a broadly summarized form. He's already done so by way of what is written. I would side on, given the time limitation and constraints, that we asterisk, we make notes and then, not to break the flow, when the presentation is finished we can go back to page 1 or item 1 and question, as opposed to starting to highlight the questions and then lose the latter part of the presentation.

**The Acting Chair:** I'm open. Do the government folks have any comment? Does that sound —

**Mr Toni Skarica (Wentworth North):** I agree with Mr Pouliot. I think what he said was that he'll go through it and then we'll ask questions later?

**The Acting Chair:** That you make notes, yes.

**Mr Pouliot:** I make the same mistake in several languages. Thank you.

**The Acting Chair:** Okay, that's what we'll do then. The auditor will take us through this, you'll make your notes and then we'll use the balance of the time for questions and comments and discussion. How quickly they can change the Chair's mind.

**Mr Peters:** And mine.

The first item: We define "audit" for the first time — this was not defined in the Audit Act before — and replace the previous definition of something called an "inspection audit," which meant an examination of accounting records only. I've talked to that before, saying that this was a very limiting definition of audits of grant recipients. "Audit" includes an examination of the matters mentioned in clause 12(2)(f)." I'd be very happy, if you wanted, to provide copies of 12(2)(f).

The second new item is the definition of a "grant recipient." We have not had that before. To give you a very quick background of it, if you recall, in the session on February 1 I presented to you a little schedule of the so-called grants or transfer payments made by the government, totalling about \$38.9 billion, broken down into two categories — the so-called schedule As, which we thought would be subject to audit, and the schedule Bs, which should not be subject to audit. The definition essentially deals with what we call the schedule As, which are the organizations funded by transfer payment or grant. We had to define a grant recipient.

To help you in some of your deliberations, there was also a definition of those grant recipients we did not want to audit. But the more the lawyers started to draft, the more complicated it got and the more easy it became for the grant recipients we thought we should audit to use any of the exemption clauses to escape audit. So we defined strictly those grant recipients which are associations, authorities, boards, commissions, corporations, councils, foundations, institutions, organizations or other bodies that receive "a payment in the form of a grant or other transfer payment from Ontario or any agency of the crown," which clearly by definition therefore exempts from any approach by my office welfare recipients, family benefits allowance recipients, people who receive unconditional grants and those organizations that are charging the government fee for service, such as medical practitioners and the like. That is what this grant definition means, and in the opinion of legal counsel it does the job.

The definition of the "inspection audit" is therefore repealed, because we don't need it any longer.

In the subsequent sections, very quickly, is the access to information. The only change is really that previously



grant recipients were not included as organizations that have a duty to provide information to us, and that is now done. They're simply added in. That's what subsections 10(1) and 10(2) on page 1 do.

On the next page, the matter of stationing members of my office and providing accommodation is again the same thing, that we can actually have physical access to the premises of grant recipients and can have a desk or some place to work when we do the audit.

Those are the changes, and there are some minor housekeeping changes that deal with grant recipients. That is the one segment dealing with the principal purpose of the amendment, the grant recipients.

*Interjection.*

**Mr Peters:** As I said, there will be a little talk about section 13 later, but I'd like to follow the flow of the paper, if you'll permit me.

Section 3 deals with an anomaly that we were facing, and that is that the annual report, under the Audit Act as it exists now, had to be tabled after the public accounts were tabled. The government has up to 18 months to table the public accounts, which could therefore delay my report up to 18 months. We have put in a condition that we will now, in any event, be required to report by the end of the year, by December 31. March 31 is the year-end, and even if the public accounts are not tabled, I can table my annual report by December 31. It's very close to what was there before, but through the anomaly of wording, I could simply not table at all, and I would be prevented from tabling my report for a long period of time under the present setup. It hasn't happened, but under the finance act the financial statements can be delayed from tabling for quite an extensive period of time; and neither is, I feel, in the interest of your committee and the Legislature.

The other is merely that there was apparently an error in the French version. This was corrected, and the result of this is also a splitting up of this subsection 12(1) into several subsections, what was previously just a big subsection. There's no other change in there; the only change is this timing of tabling the report.

We then go into clause 12(2)c). This leads into another housekeeping change. Under the existing Audit Act, my office audits the consolidated revenue fund. With the changes made in the accounting in 1994 by the government, now the financial statements of the province are called, in technical jargon, "summary financial statements." They are no longer just the statements of the consolidated revenue fund; they now include so-called government organizations which are funded and are operating outside the fund, but are still under the financial supervision of the Legislative Assembly. These are put in on a line-by-line basis. They include so-called government enterprises — for example, the capital investment corporations fell into that category — which are now included on what is called the modified equity basis, and there are certain disclosure requirements for what are called trusts. An example of that would be the Workers' Compensation Board, which is not included in the accounts as such, but which is described in the accounts.

**1020**

In order to give my office the ability to provide an opinion on the financial statements of the province as they're now being structured, this amendment has been made. In other words, the short of it is that it formalizes the practice followed by the government since March 31, 1994, for which the act had not been amended. So we want to put this amendment through.

This is specifically reflected in the way we are giving the opinion, which is in the middle of the page, and this may be worth reading to you. It says, "In the annual report in respect of each fiscal year, the auditor shall express an opinion as to whether the financial statements of Ontario as reported in the public accounts are presented fairly in accordance with the accounting principles that the Canadian Institute of Chartered Accounts has recommended for governments."

That really puts into fairly precise legal language the practice that has been now followed by the government since 1994 and with which we wholeheartedly agree, and with which this committee has actually agreed. Just by way of a brief background, this committee at the time, in 1994, passed a motion that I was to pursue the use of more appropriate accounting principles in the government in 1994, and we have done so. That has been done since by the predecessor government of the current one, and the current one has now taken a very significant step further by even putting the budget on the same accounting basis. That was in the last budget announcement in May 1996.

In section 13, we're going back to some of the implications of now being able to audit grant recipients. In other words, it simply says that we are now being able to audit them to the extent considered necessary. Previously we had only the inspection audits, which were next to having no value to the process.

In subsection (2), the obstruction section remains the same, except "inspection audit" is again removed. We may not be obstructed.

Examination under oath, which I can do under the current act; again, it removes the term "inspection audit."

The powers of the auditor: There's no change. We just put it in for completion.

Next, item 6: We are dealing with a number of sections that we have to change to update the Audit Act in accordance with recent changes to the Public Service Act and the regulations under the Public Service Act. The key change is essentially that the Public Service Act now permits, under certain circumstances, the release of an employee in the public service, and we have imported the same right into my office.

Essentially, the following sections about grievances, and then if you proceed to the next page, the application of the Public Service Act, all flow from this change in their own way. Incidentally, I should assure you that these changes have been discussed with my staff, of course, because it affects the internal operation of my office, and they're fully informed of this.

In section 8, this is the new issue that was raised by a number of people who appeared before you and were concerned about how my office was going to deal with personal, confidential records that were held by grant



recipients. The key concern expressed was medical records that may be accessed by my staff in hospitals and these organizations.

You heard as a committee from the privacy commissioner his concerns. These sections have been thoroughly vetted and we have agreement in writing from the privacy commissioner that these would meet all the requirements of the privacy act of the province of Ontario. We would be happy to table those further letters here. Two you have already and there have been minor changes made subsequently.

There are two particular aspects to it. Firstly, 27.1(1) is essentially not changing; it is just to align this provision with what we had before, but the most important change is really in subsection (2). Maybe this is worth reading to you, just for full understanding.

"No person shall collect or retain personal information within the meaning of the Freedom of Information and Protection of Privacy Act on behalf of the auditor unless the auditor determines that it is necessary for the proper administration of this act or a proceeding under it."

In other words, our access to this information is totally restricted to be carried out only for the sole purpose of following the Audit Act. No other rights accrue to the office or any member of my staff in that regard.

On the next page we deal with the personal identifiers; that is, what if we decided that it was necessary, for audit purposes, to retain certain records? How would these records be protected? We are talking here specifically now about medical, psychiatric or psychological history of people. If we decide — and quite frankly, we are most reluctant to do even that, I should assure you — we shall remove all references in the information to the name of the individual and shall retain the information by using a system of identifiers other than the name of the individual. That is the way it is done.

Essentially, that is a summary. We'd be happy to answer questions. If you'll permit me, though, to make another brief comment, before you this morning is also a letter from Michele Noble, which is in front of you. This is the letter that follows up on a letter from Ms Noble to the Chair of the committee of March 15, in which they indicated that the Management Board of Cabinet would be coordinating, essentially, the views of the ministries involved, which she lists: community and social services, education and training, health, municipal affairs and housing, and transportation. You may want to read this letter later on, but a quick read of the letter on my part has given me a reasonable assurance that there is nothing in the letter that would change any of the wording I've presented to you.

The issue most likely that is raised is the accountability framework and how complex it is to implement one, and that is something I alerted this committee to in my presentation on February 1 and I've been speaking to that continuously. What I suggest to you is to view actually the amendments to the Audit Act as a step to progress in this complex process towards overall better accountability.

If I may be permitted a last comment, or it will be elicited through questions, I just wanted to give you assurance that at least six of the provinces and jurisdic-

tions in Canada have this kind of access to information that we're seeking already in their Audit Act. With that, Mr Chair, I'll turn it over to you.

**The Acting Chair:** Questions, comments?

**Mr John Hastings (Etobicoke-Rexdale):** There are a couple of items I'm interested in.

On page 1 in the reasons for changes under section 1, "inspection audit," the note I made to myself was with the change of "audit" to "inspection audit," how many new personnel are you planning to be required to undertake the inspection audit, or can you do this broader-scope activity within the existing personnel levels?

**1030**

**Mr Peters:** If I may go back to my presentation on February 1, and really, I stand by it, I made the same comment to the Board of Internal Economy, which as you know deals with my budget. What we are proposing at this time is that we simply change the mix of our value-for-money audits. In other words, we will do fewer audits of ministries and substitute one or two grant recipients in the audit process on an annual basis in order to minimize — in fact hold the line on — the resources given to me.

**Mr Hastings:** How many people do you have now who can undertake audits, or inspection audits should this act go through, approximately?

**Mr Peters:** Can I just get a clarification on this? "Inspection audit" is the term we are removing. We're now doing broad-scope audits.

**Mr Hastings:** I know.

**Mr Peters:** The total complement of my office is in the mid-80s in terms of staff.

**Mr Hastings:** In terms of trying to ascertain who's doing really well in an agency, board, commission or ministry, or one of those new outside groups you want to do an inspection audit of, do you have anything in mind — I don't see anything in the proposed legislation — that would set out a rating of these groups according to specific criteria? I think that was a question I alluded to last February.

I'll use an example. The WCB has considerable financial problems, I think; at least, most people would tend to come to that generally broad-based conclusion. Let's say you rated them right now, if you were auditing them, a C-, and then you did an inspection audit and you found that they had improved in certain ways and you could elevate them to a B- or B+. What do you think of the whole idea, first off, of that kind of a rating system? Do you think it's feasible, and if it is, what criteria would you apply? Fourthly, why isn't there such an idea like this proposed in the legislation?

**Mr Peters:** For the moment, may I deal with the illustration? Actually, under Bill 15 — I don't know what it's called now but it was passed and proclaimed, I believe, in the last few months — the Workers' Compensation Board has a specific provision in there that so-called value-for-money audits of the Workers' Compensation Board shall be conducted under the direction of my office. That is already put in law.

We are not very keen on rating an organization, simply because we feel that it is management's responsibility to make sure that controls are in place, that the place is



properly run. It is essentially the responsibility of the accountability process for the organization itself, which goes from the management to the board of directors, through the ministry, to the minister, to the House, which is responsible for obtaining value for money. They must bear the responsibility of managing the place, with this concept in mind.

Our audit is essentially designed to assess what procedures they're following. If you talk about effectiveness, and this has not changed under the act, I can only assess if management itself has procedures in place to assess the effectiveness of its own organization. I can make recommendations. I am supposed to report to the House where we find that these procedures are not satisfactory. That is number one.

The second part of your question is that we essentially develop criteria for audit and we develop those together with management and, in the example you're describing, with the board of directors as well. We deal with those criteria under essentially seven headings. We have to break it down because most of these organizations are complex, so an overall rating would be — to give you an analogy that I've used very often — as satisfactory as your doctor telling you after your checkup that you are a B- or a B+. It doesn't help you very much. You may want to know how your circulatory system is going etc.

We break it down into essentially seven areas, what we call focus areas. Financial stewardship is one of them. Compliance with laws, regulations, bylaws, how well do they comply with the regulations and laws under which they're operating, would be the next. How well do their key systems of control function, would be the third. We also look at how well they're safeguarding the assets entrusted to them by the public in the overall.

We are then looking at these procedures that I mentioned as to how they know if they're doing the job well that they're supposed to be doing. Do they have procedures in place, is the next one. Then we are taking a look at how responsive they are in terms of taking corrective action when things do go wrong or how do they follow up, if they do something very well and make sure that it gets reported throughout the system. The last is: How well do they tell their own story? How well do they inform their constituents about the quality of their activities and the effectiveness of their operations?

That in a nutshell is the skeleton or the framework on which we build those criteria. When we rate whether something is satisfactory, we rate based on those criteria and then come back to our charge under the Audit Act, which has very specific areas and in fact, this is one of the things I'd hoped — we make reference to clause 12(2)(f). I don't know, Todd, whether you would like to provide the members with a copy of that. It's in those two.

But that is the charge which I have from you as to the matters which I shall report on. That charge would not permit essentially that overall rating. I've been pressed in my press conferences all the time to rate the government on a scale of one to 10. To begin with, because of the resources I have — I've only 85 people and I'm not saying I want more, but the fact of life is that in any one given year I can audit only about a dozen programs or so.

It would be totally unfair to the government to give the whole government a rating based essentially on 12 out of hundreds of programs. On that score, as well, I'm reluctant to give a single score.

**Mr Hastings:** I can't understand your reluctance completely. I can see why you don't want to do it, because the public sector basically — we're supposed to be accountable to the voters out there, but there's a curious reluctance, I would think, that the folks who populate all these agencies, boards and commissions don't want a similar performance evaluation that John Q. Public or Sally M. Public could say, "Mm-hmm, that's very interesting." I don't know what the curious reluctance is on that part. I have a good sense of what it is and I think we need to revisit this later.

My final question deals with the sensitivity of confidential information. Mr Peters, I'm curious as to why, under the information section of 27.1(2), and the part about personal identifiers in 27.1(3), the privacy commissioner didn't make any comment about the whole idea, when you go back to Miss Noble's letter of her comments, paragraph 2 on page 1, about the use of inspection audits that now allows you and your office to have all types of information. That means every relevant document dealing with these transfer partners, the accounting records, and I'm wondering what your thinking is to what the privacy commissioner would recommend that there shouldn't be some kind of restriction on the types of information you can get to evaluate the end of achieving value for money when it says "any information." Does "any information" include how badly or how effectively the executive director of agency Z is regarding their responsibilities in a social service sector, say, or in the delivery of moneys for a school board?

1040

I'm wondering whether we shouldn't reconsider some kind of restriction on information, particularly of a personnel nature if there is a potential lawsuit that could arise against your office and the provincial government in the context of wrongful dismissal where you may come across information regarding the performance of the senior management of an agency or organization that's outside our direct ambit. Do you think we ought to have some restrictions there?

The privacy commissioner was most concerned about having protection and safeguards on health information. Should we not take the same sort of approach in that section regarding inspection audit when it says "any information," which I would think means all information?

**Mr Peters:** To specifically answer your question, the act, as it is currently written, in our opinion has two major advantages: (1) It is a beautifully balanced act at the moment. What I mean by that is it says on the one hand that my office can have access to all the information that is necessary to conduct our audits. It includes, incidentally, the right that we can put people under oath, if we wish to do so, but to counterbalance that is very clearly section 27.1(1), which says that we cannot use the information we obtain for any purpose other than (2). It says that anything that comes to our knowledge in the course of employment or duties under this act and shall not be communicated to any person, except — and those



are the only two things we can use it for and that is the administration of the act or a proceeding under the Criminal Code. In other words, the Criminal Code is there, for example, if in accessing information we find out-and-out fraud. We should be permitted to turn the matter over to the police or the necessary authorities. We shouldn't be constrained in that regard.

That is where the balance is and I think anything that would disturb that balance would be viewed as being fairly negative.

Yes, we would not necessarily look at personnel records to look at potential misdeeds of an individual other than if there were fraudulent matters involved because the rest we are just looking at the procedures. How does the organization handle these kinds of situations? What sort of performance evaluation system do they have for their staff? Are they following it? These sort of things are what we're looking at. We're looking at the system; we're not looking at the cases of individuals.

The outcome very often is impact on individuals. In the special report authored by this committee, for example, in 1993 on the Workers' Compensation Board on the new building, we reported that the entire responsibilities of the board of directors should be reviewed. As you know, we have had, since that report has come out, a raft of boards and in fact they don't have a board right now to the best of my knowledge. So we're dealing with a system but, yes, it can have from time to time impact on individuals.

Mr Hastings, I hope I've answered your questions on that.

**Mr Hastings:** All I'm asking, I guess, Erik, is whether the personal identifiers on page 6 of 6 dealing with medical, psychiatric, or psychological stuff in a health care operation, I guess, should there be any kind of a personal identifier on information of a more broadly based situation where personnel, the people involved in senior management, and there may be references to their performances, not necessarily personal evaluation stuff in their personnel file but in other documents where it could be coming out?

**Mr Peters:** Reviews of that information may be in our working papers, but the other part of the balance that we have is that we also have under section 21 a very restrictive oath. Every person in my office signs on employment an oath that, "I, so-and-so" — and I do it myself — "do swear that I will faithfully discharge my duties as an employee of the Provincial Auditor and will observe and comply with the laws of Canada and Ontario and except as I may be legally required I will not disclose or give to any person any information or document that comes to my knowledge or possession by reason of my being an employee of the office of the auditor." That is an oath, so if that were violated, every one of us would break the oath if we were to abuse the information that you are referring to in any way, shape or form.

That again is what I'm referring to, the beautiful balance in my act, and this act has been in place now for 18 years and has served the office well.

**The Acting Chair:** Mr Pouliot, I believe you indicated you'd like to speak.

**Mr Pouliot:** Yes, I did so. Good morning. On page 2 of 6 about the auditor, subsection 3(1):

"The auditor shall report annually to the Speaker of the assembly after the end of each fiscal year by the later of,

"(a) a reasonable time...

"(b) December 31 in the year."

Then the current wording mentions not only the Speaker of the assembly, it also mentions tabled in the assembly. And when I looked at your reason for the current change, traditionally your annual report is tabled in the assembly. It's certainly one of the events, and if you say December 31, traditionally the assembly does not sit on New Year's Eve. We know that it does meet a calendar year and that gives you about — well, it gives you nine months. The fiscal year beginning April 1. do you intend to depart or do you see a possibility — not to avoid, not in that tone, but where the assembly would not be the *récipiendaire*, the recipient of your annual report as is the current practice?

**Mr Peters:** Two answers to that. The key phrase is really "by December 31." In other words, that's the latest by which. I intend no departure at all from the current practice of reporting in the fall, as soon as I can when the fall session starts.

The second one is just to underpin it. There is currently a standing order on the papers that I can theoretically table my report, although the House is not sitting, by tabling it with the Clerk of the House for distribution, but I find that practice is not very conducive. That is there, but it's not in the act; that's just the practice. But the key phrase is "by December 31." It simply gives a date before which I may table, even if the public accounts have not been tabled in the House.

1050

**Mr Pouliot:** Thank you.

I need your help again to develop the theme we are addressing. The proposed amendment to the Audit Act gives you the facility, gives you the tools to expand your mandate, to go beyond the ministries. You're going to the transfer payments, again people who are the recipients of the flow from the province to their commission, their agency. My distinguished colleague has made mention by way of a question that your budget — you still have to live within your means — is not necessarily or concurrently being expanded, which becomes a bit of a juggling act as you feel your way outside of these confines into your new expanded mandate.

You have mentioned that since you can only be at one place at one time — you have the same budget — it would mean that the scrutiny, your actual mandate, as you're about to venture beyond it, would suffer. I'm usually not political on a Thursday morning as we near 11 o'clock, and it's not the nature of this committee, but if I was to have a dark moment and if I was to impute motives, if I was inclined that way, and if I was to be lured, to be seduced by the invitation — "What the heck, things are not bad at the shop. Why don't I focus, because the committee has asked me to do so, on" — yes, the examples abound, on the welfare recipient, whoever is in charge of that, on the WCB.

Simply put, I would like to see the methodology of your rotation. Are you planning to go about attacking these things?



**Mr Peters:** I'd be happy to answer that question. Firstly, I do have a little bit of difficulty with the word "attacking."

**Mr Pouliot:** I have a dictionary of synonyms in three languages, sir.

**Mr Peters:** Okay.

**Mr Pouliot:** Please bear with me. It's not a problem.

**Mr Peters:** The key issue: What we are doing is we are under continuous development, what we call the audit universe. What we call the audit universe is actually breaking down the government operation into what we call auditable chunks, and we run on each of these auditable chunks what we call a risk assessment, where we take up to about something like 15 risk factors into consideration. We evaluate from knowledge of the entity or knowledge of the program that we develop from whatever is published, from whatever is available, from whatever we can find in the ministry. We run essentially a risk assessment. As a result of this risk assessment, we run a rating. I hear Mr Hastings getting excited about that rating. That is actually a three-letter rating: It is low, medium and high. In other words, a low-risk organization is audited less frequently and less thoroughly than a medium-risk, and again a high-risk is audited quite frequently, and to the criteria in those seven focus areas I mentioned.

We've developed essentially a five-year plan, currently reduced at the moment to a three-year plan to comply with the Ontario Financial Review Commission's recommendation of a three-year horizon. So we stick with that three-year horizon. It's based on that assessment that we are doing it. Previously, we had to exclude the grant recipients from these assessments, because there was no point and we were not going to audit them. That is certainly one area, that now they will be included. The selection of the very limited number of grant recipients we're going to do is going to be done based on the same kind of risk assessment. Does that answer your question?

**Mr Pouliot:** I have one short supplementary and then maybe a brief comment. You've mentioned the right to change and to suspend — I'm quoting here — "may for cause suspend, demote or dismiss an employee of the office of the auditor or may release an employee of the office of the auditor"

We're so few of us. The electorate has decreed that we should only have 16 by way of representation. That's a mere four above the requirements to be a party, so we don't party too much; we are a moving party. It's difficult. So some things skip us from time to time, and one of those is you now have the right to — by virtue of what? You didn't have the right to do those things, but now you can exercise those rights to demote, promote. What has changed from the past year? Did you not have that right before, and you associate yourself with that of a title of a deputy minister?

**Mr Peters:** The rank of a senior deputy minister I already have under the act, so that's not new.

**Mr Pouliot:** So under disclosure we know how much you make?

**Mr Peters:** Absolutely. The press has been running down my door, surprised how little I earn.

**The Acting Chair:** Doesn't do any good to lobby.

**Mr Peters:** No, not at all, and I'm not complaining at all. I should make that point very clearly, having joked about it.

What is new is really the word "release." "Suspend, demote or dismiss" were in the old act; "release" is just paralleling what is now added to the Public Service Act. There is the permission granted to an organization to release people if there's a shortage of funds, if there's a shortage of work. To release with reasonable notice or payment in lieu is now something that is under the Public Service Act, and this is one of the updating features we're putting in. In other words, it essentially permits me the same rights as personnel management that a deputy minister has running a ministry. That's the update.

**Mr Pouliot:** On several occasions we have voiced a sincere concern. I know it's not easy when you have to look at the rights of individuals and the benefit of the collective. That's always the equilibrium. We are adamant and we're very pleased that it's been addressed, for we feel it serves no purpose to attach a name to a situation. Your mandate is, are the taxpayers getting value for money as you scrutinize due process to get the answer? The client, the individual attached to it is secondary and serves no purpose. We sought and we have all the guarantees, and the wording is simply expeditiously addressed to it, that anonymity will be preserved. I want to bring you just to conclude — it's a true story — an example that could happen.

In our riding, and it escapes no one, I have been informed, because we're all ombudsmen in our riding, of someone, a constituent of ours who began to lose a little weight so went to see our local doctor, expecting to be referred if something was complex, and tested HIV positive, and was referred because we don't live in large communities. It was a bit of a ping pong and then sought a second opinion — nothing full-blown. Time is an element, and we keep our fingers crossed — several tests. If someone was to look at — tested for diabetes 18 different times; okay, I mean that's catastrophising, but quite a few times, went to two different urban locales. I don't think it was the best way to do business, a bit of a ping pong going on: "Go there, go there, go there."

Taxpayers do not get value for money? We know with the human dimension nothing else matters. The essence of life is what we're talking about here. It might be an extreme by way of example for some, but absolutely nothing can be served by attaching the name of the person to our quest for value for money. Right?

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We're satisfied with the presentation. It reads well and the three columns, the traditional, what the current act says, what is being proposed and why the proposal is — something we always look forward to. It makes our job a lot simpler, and best wishes. Our party is in agreement with each and every clause, as presented.

**Mr Peters:** Thank you very much. If I may make a brief comment, I've brought along with me today John Sciarra and Ken Leishman and I want to pass that on to them.

**The Acting Chair:** Mr Kennedy. Or if it was short and relative to that?

**Mr Marcel Beaubien (Lambton):** It's going to be short because it's a follow-up.



**The Acting Chair:** Do you mind, Mr Kennedy, then because it is relevant —

**Mr Beaubien:** Oh, no, go ahead.

**The Acting Chair:** All right. Mr Kennedy.

**Mr Gerard Kennedy (York South):** Back to section 3, I understood from your remarks that the idea was to give you a finite date to present in case public accounts weren't presented, but it says "the later of" and so "the later of" infers that "a reasonable time after the public accounts" or "December 31." Shouldn't it say "the earlier of"?

**Mr Peters:** We had that debate yesterday and we went back to counsel and they said it's okay this way, but that's certainly a change that we would be happy to make to make it abundantly clear that it is —

**Mr Kennedy:** Yes, because I don't think it's abundantly clear unless —

**Mr Peters:** That's right.

**Mr Kennedy:** Okay. Then I just want some assurance on the language which is very open in section 4 of your explanation on page 3 that says, "audit a grant recipient to the extent considered necessary." Is that similar language to what exists for ministries and other areas where you've been able to do full-scope audits or is that new language?

**Mr Peters:** No, it is not new language and not a new concept essentially, because in value for money there are three elements. Sometimes value for money is referred to as the three Es: economy, efficiency and effectiveness. The concern is that essentially on economy and efficiency we can push the matter as far as possible because those are a real, direct responsibility.

On effectiveness, there are certain limitations and this is why "to the extent considered necessary" is in there because the effectiveness of an organization is not necessarily limited to the action of its management. It also has implications on government policy, if the Legislature or the legislation makes certain policy instructions to people that influences the effectiveness of the organization and of what they can do because we do not comment on government policy. Whether it's good, bad or indifferent, we do not comment on it. We can't push effectiveness so far down that we cross the line through our audit findings inadvertently commenting on what is government policy, because we have a very clear image here that our client, if you will, the client of my office is the Legislature. I'm an officer of the Legislature. My auditees are the ministries and if these amendments go through, also their grant recipients.

Now their action is prescribed by policies and if we get too far down into the effectiveness of what they're doing, we would tread on the judgement of the House, on the judgement of the government of the day, on the judgement of ministers etc. That's where we're limited and that's why specifically under clause 12(2)(f), I believe sub (v), we're limited to audit simply the procedures in place, to measure and to report on the effectiveness, but we cannot assess effectiveness ourselves.

**Mr Kennedy:** Thank you for that. Just in terms of a slightly narrower point, the wording "to the extent considered necessary," is that elsewhere in the act applying to the ministries and so forth? I didn't see it under the definition under 12.

**Mr Peters:** Interesting question. I haven't looked at that. I think that is the only —

**Mr Kennedy:** Otherwise the grant recipients might see this as differential.

**Mr Peters:** Was it in section 30?

**Mr Kennedy:** I have it here.

**Mr Peters:** I'll tell you what the thinking is behind it in some respect. Oh, yes. Sorry, John is just pointing out to me it is in another section. For example, the financial statements of the government — section 9 says, "The auditor shall audit, on behalf the assembly and in such manner as the auditor considers necessary, the accounts and records of the receipt and disbursement of public money...." It is not new; it parallels another section.

**Mr Kennedy:** Which subsection under section 9?

**Mr Peters:** Subsection 9(1), the audit of the consolidated revenue fund.

**Mr Kennedy:** So "in such manner as the auditor considers necessary" and "to the extent considered necessary" are considered analogous wording?

**Mr Peters:** Good thought. We will have our counsel look at that.

**Mr Kennedy:** Because we are in new territory, I want to understand how new it is and so on, because I think the broad sweep of the change, if I understand the intent, is to give cause and effect to grant recipients having the same degree of scrutiny and the same latitude of scrutiny by the auditor's office as ministries do. If there are differences, I would like those pointed out in terms of a differential between the two.

**Mr Peters:** Very good. Excellent point. Thank you.

**Mr Kennedy:** I'd like to register an inquiry on a broader basis, not to take up questioning time now, but maybe in a further time. Has there been consideration done within your office about what kind of tradeoffs there will be if we look at your capacities as finite? The question of course has been raised, and it's been answered directly, but what will the cost be in terms of your contribution to overall accountability of the ministries? If you scrutinize fewer ministries to make room for the grant recipients, what will that cost be and how might that relate — it was very interesting the relating you did about the audit universe and the kind of systems you'd have to select in there. What kind of tradeoff will we have? Because I think the style of the government of the day is about tradeoffs. How can we better understand what kind of tradeoffs you're going to be entering into as we give you this much larger amount of work with the same resources? Is there an assessment that you've done of that in your office? On the surface of things, obviously there will be less scrutiny of the ministries. There will be more scrutiny of grant recipients but at the cost of less review of the ministries. What does that mean in terms of overall accountability as exercised for the Legislature by your office?

**Mr Peters:** An excellent question again. Yes, we have indeed looked at this. One of the concerns we have had all along and the reason we are proposing it — firstly, let me go back very briefly to the political process. You were not in this committee on February 1 and may not have ever seen the paper.



**Mr Kennedy:** No. I'm trying to catch up with the background.

**Mr Peters:** One of the points I hope I made is that in bringing forward these proposed amendments we are reacting. It is not my office pushing for it necessarily, but there is a distinct will on behalf of all three parties in the House that we move ahead in this area. Specific documentation was presented from all three parties. We are following, if you will, our clients' wishes in this regard. That was number one.

Number two, I believe the tradeoff is very easily justified because it is really a step. I don't see it as an end but rather as a means to better accountability because one of the facts we're dealing with is that close to half of the government's expenditures are given to other organizations to implement acts passed by the House. The best illustration I always have is the Education Act of the province. The \$4.5 billion that is turned over to school boards is given to them to implement the Education Act of the province. So if we audit at length the ministry's administration as to how it allocates these funds to the school boards, we really are getting only one end of the equation. We will only find out how they allocate it. We cannot pursue how the school boards are actually obtaining value for money in implementing the Education Act with the money that Parliament has given them.

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In a way, we're not viewing it as a tradeoff but rather as being able to perform our services better, because we can now in an audit not only incorporate what the ministry does, but also what the end spender of the funds actually does. In that regard, I wouldn't view it necessarily as a tradeoff but rather as a better pursuance on behalf of the Legislature.

**Mr Kennedy:** I certainly could see that it gives you a more complete mandate in a way.

**Mr Peters:** That's right.

**Mr Kennedy:** But at the same time, because you had an incomplete mandate before, there must be some cost in the sense of the rotation, the number of places you could visit.

Rather than take up more of the question time, if there is any documentation of that kind of thing — in other words, I would like to become more familiar with the frequency with which you're able to examine the various ministries. I don't know if the risk levels are available to this committee, but that kind of thing so we could see how that might shift as you take on the larger audit universe.

**Mr Peters:** I confess to you that we have not put the numbers to paper on a very straightforward basis. These amendments to the Audit Act have been in the hopper now since 1990 and we were not going to develop numbers until we actually knew what was involved. In the alternative scenarios, I can only tell you that we would probably have to trade off some ministries, but some ministries we haven't been able to audit very effectively anyway because of this constraint. So it will work out.

**Mr Kennedy:** The point's taken.

**Mr Beaubien:** On page 4, section 26 — I had thought my dear friend across the aisle, being so socially con-

scious, was going to bring it up — under the current wording you mentioned that before you have to suspend or demote someone there's a hearing, but under the new wording you can suspend, demote or dismiss an employee. What would be the process under the new wording? Would there be a hearing? How would you suspend, demote or dismiss?

**Mr Peters:** The matter would certainly come to me as the head of the office, but there would no longer be a formal hearing. The formal hearing was, I believe, under some section of the Public Service Act. Generally these hearings have been found to be a rather fruitless waste of time, a waste of time and money in the government, because people had to hire lawyers and be represented by lawyers and the findings of the hearings were not conclusive. Now a less formal process has been put in place and at the other end the grievance process has been left as the determining factor. That parallels pretty well what is done in the public service.

**Mr Ken Leishman:** If I could add something, this is consistent with the changes that have been made in the civil service regulation. Instead of a hearing, the employee has the right to appeal the dismissal or the demotion to the deputy minister after the action has been taken, before it goes to the Public Service Grievance Board. That didn't used to be the case. That has taken over for what used to be the hearing.

**The Acting Chair:** Any further questions or comments? We have to deal with the auditor's recommendations and material.

**Mr Steve Gilchrist (Scarborough East):** As we discussed last week, it's quite important, as the auditor himself pointed out a minute ago, that this debate's been going on for nigh on six years. There's certainly a consensus within the three parties that this is an area we should bring closure to once and for all.

Given the infinitely higher prospect of having a bill successfully pass through third reading if the ministry supports it, in fact if the ministry sponsors it, I would like to suggest that we forward these proposed amendments immediately to the finance ministry and ask for their reaction to that. There have also been a couple of other comments made, such as clarifying the December 31 issue, that perhaps Mr Peters might want to put some final touches on. Not to unduly delay it, but looking realistically, there's zero chance of having a bill introduced in the next two weeks. The order paper is full. I would like to suggest that by our first meeting after the intersession the ministry be requested to have a detailed response and an action plan in our hands in order that we could make a decision at our first meeting back after the summer.

**The Acting Chair:** Would you make a motion to that effect?

**Mr Gilchrist:** I'd be pleased to move it.

**The Acting Chair:** We have a motion.

**Mr Peters:** If you have the motion, could you make the motion that it's the minister who has to sponsor it? I want to make that distinction. The ministry has been advised parallel; I could not table it with the ministry officially until I'd tabled it here. As Mr McGuinty opened his envelope, there was a messenger standing by



to take this document over to the Deputy Minister of Finance, just for you to know.

**The Acting Chair:** So we can clarify, the motion would read "the minister."

**Mr Gilchrist:** Yes, that these proposed amendments be directed to the minister for his response both in the form of comment and a proposed action plan to deal with these amendments.

**The Acting Chair:** Questions or comments? All those in favour? Carried.

**Mr Kennedy:** Mr Chairman, I assume that the questions of a small nature brought up today would be rectified in advance.

**Mr Gilchrist:** Over the summer, I'm sure Mr Peters, if he wishes to clarify the date issue — and if there are any other minor matters you would direct those directly to the —

**The Acting Chair:** The question the clerk has brought forward is whether the committee wants to meet next week or the week after and then the question of any meetings during the intersession.

**Mr Pouliot:** At the risk of sounding parochial, next week I think there is an acquiescence from all that we are beginning our convention so there will be no attendance on Thursday. The House will not be sitting.

**The Acting Chair:** Perhaps I could suggest that we meet the week after.

*Interjection.*

**Mr Mike Colle (Oakwood):** Yes, that's right. In other words, why would we meet? What's on the agenda?

**The Acting Chair:** Perhaps I can help. If there's nothing to deal with in the intersession, I guess we could agree to meet again at the call of the Chair, which will probably be in the next session. Is that okay? Any other matters for the committee?

**Mr Pouliot:** Yes, the annual meeting of the public accounts committees, provinces and federal government. My House leader has mentioned that, first of all, it's been passed by this committee. It's also been agreed by the House leaders and it's going to the Board of Internal Economy, made up of House leaders plus one, so it shouldn't be any problem there.

**The Acting Chair:** I understand that meeting is to be held next week, so we hope it will be on their agenda then. Just a clarification: How then would we communicate with the clerk if that passes in order that arrangements can be made for specific individuals?

**Mr Gilchrist:** I'd be pleased to undertake that the House leader would contact the clerk directly.

**The Acting Chair:** Okay, and from that point on you deal with it. Is there any other business? Seeing none, this committee is adjourned.

*The committee adjourned at 1120.*



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\*Pouliot, Gilles (Lake Nipigon / Lac-Nipigon ND)

\*Skarica, Toni (Wentworth North / -Nord PC)

*\*In attendance / présents*

#### **Also taking part / Autres participants et participantes:**

Erik Peters, Provincial Auditor

Ken Leishman, Assistant Provincial Auditor

**Clerk / Greffier:** Todd Decker

**Staff / Personnel:** Elaine Campbell, research officer, Legislative Research Service



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First Session, 36th Parliament

## Assemblée législative de l'Ontario

Première session, 36<sup>e</sup> législature

# Official Report of Debates (Hansard)

Thursday 17 October 1996

# Journal des débats (Hansard)

Jeudi 17 octobre 1996

**Standing committee on  
public accounts**

Annual report,  
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**Comité permanent des  
comptes publics**

Rapport annuel 1996  
Vérificateur provincial



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## LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON  
PUBLIC ACCOUNTS

Thursday 17 October 1996

## ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

COMITÉ PERMANENT DES  
COMPTES PUBLICS

Jeudi 17 octobre 1996

*The committee met at 1008 in committee room 2.*

**The Vice-Chair (Mr Mike Colle):** Under the rules of procedure we're allowed to begin. We've got more than six members here, and I know we don't have a member from the third party but I think we'll commence our inaugural meeting for this session.

It is our intention today to have the Provincial Auditor give us a review of the Ontario annual report and its significance to this committee. We have two Ministry of Finance officials here, Mr Siddall and Mr Christie, to respond to some of the auditor's review comments about the annual report. The latter part of the committee session will be taken up in trying to determine our schedule and the areas of investigation and review for the committee as a whole as a result of the auditor's report.

If we can begin with Mr Peters giving us an idea of the place the annual report has, as far as the committee is concerned, and why he feels it's significant for us to include this as a first step this year.

## 1996 ANNUAL REPORT, PROVINCIAL AUDITOR

**Mr Erik Peters:** I'm going to walk you through the annual report and talk about some of the significant features of it. I have taken on that responsibility because, when we met in subcommittee, we didn't really get a chance to give the Ministry of Finance enough time to prepare for a presentation. I'd like to just walk through some of the more salient features of the report, and it's really your call if you would like to interrupt with questions or go to a rotation after. It's as you wish to proceed, Mr Chair.

Just to give you an outline to make that discussion a little better, I would like to go page by page, because it's a short document, to highlight some features of the report as to what has been put in.

The annual report was sent out with the agenda and it looks like this. It is somewhat different from the public accounts of the province, which looked very similar in size. One is called the public accounts of Ontario and one is called the annual report. The main feature that makes this distinctive is essentially that it deals with far more than just financial statements. The financial statements are part of it, in condensed form, but it also deals with an economic analysis of the province and with financial highlights in addition to the financial statements. This is what distinguishes it.

I'm very pleased that the annual report has been prepared by the Ministry of Finance and tabled together with the public accounts. In 1995 we recommended in my annual report that an annual report be prepared and that it have five components: indicators of Ontario's economy,

and that is now provided in the annual report — implicit implications on the public accounts are presented; we asked for a discussion of the success in meeting the budgeted deficit target, and that is provided in the annual report; we asked for an analysis of Ontario's debt load, and that is provided in the annual report; we asked for an analysis of the significant revenue and expenditure variances, and that is dealt with in the report; and financial statements and an auditor's report should be presented with it to give the assurance that was given on the public accounts, and that is also provided. I will discuss that with you a little later.

Almost within days of my report becoming public the Ontario Financial Review Commission made very similar recommendations. In their November document they did two things: They first asked that for presentation they use pie charts, and they did, to show sources of revenues and major spending by category. They asked for management representation, they asked for a report of the Provincial Auditor, they asked for a summary of the significant accounting policies, and that's done; financial statements on an accrual and consolidation basis, and that is done; and notes and schedules to the statements, which have been summarized, so that is done. In other words, the Ministry of Finance has complied with that.

They went a little bit into the quality of it, and that has been largely done. They asked that it be written in a way that is clear, straightforward and easy for a non-technical reader to understand. They asked that it take no more than 10 to 12 pages, with which we have big problems — we have a few more pages than that; to include summary of financial highlights, and that is done; to outline both in words and graphics the performance of key indicators such as economic growth, the annual and accumulated deficit as a per cent of GDP, public debt trend analysis, tax rates etc, and most of that is contained in the report.

What we are discussing, first thing out, is really quite a success story in the government's presenting itself better to the public, having better accounting and better accountability. It was a lot of hard work by the Ministry of Finance and my staff to put this out in time, but we did it.

I would like to highlight a few things with you. The first page I would like you to turn to in the annual report, if you don't mind bearing with me, is the five-year summary on page 15.

Page 15 is a five-year review of selected financial and economic statistics. Some of the factors provided are rather interesting. The revenue analysed in the pie chart is only for the current year. We don't necessarily have a trend revenue as to how much over those five years the



province collected in personal income taxes, corporation taxes etc. That may be, ultimately, something that is coming.

At the moment the significant feature of this is that over the five years the revenue of the province increased by about 20%. It went from \$40 billion to \$48 billion in that period. The programs and capital expenditures — I'll get into capital expenditures in just a moment, the significance of their worth and how they are treated in government accounts — have stayed virtually flat. In other words, in 1992 it was \$47.4 billion. They differ by about \$9 million, by odd coincidence. They went up a little and down a little but stayed flat.

One of the most significant features in the expenses is the next line, the public debt interest, which doubled in that five-year period. It went from \$4 billion to \$8 billion.

One unusual item occurred this year: restructuring and other charges. They are carefully analysed in the report, and we will go through that in a minute. You can see that total expenditures, only because of those two factors, have jumped from \$51 billion to \$57 billion, while the deficit, largely because of the 20% increase in revenue, has actually decreased from about \$11 billion in 1992 to \$8.7 billion in the current year under review.

In the meantime, what impact did this have on Ontario's debt? It almost doubled it. It went from \$51 billion to \$96 billion. The Province of Ontario Savings Office stayed relatively stable. Other liabilities doubled but they hiccup from year to year, depending on the circumstances and the method of payment used: which was paid off and which was prepaid. It is not a particularly significant swing.

Let me talk about the Ontario Hydro line for a moment. Ontario Hydro features, in these accounts, in two ways. Under "contingent liabilities" you also see a line that is described as "Hydro." The government is involved with Hydro's debt in two ways. The smaller way is where the province has actually borrowed on behalf of Hydro and flowed the debt through its accounts and directly to Hydro. In other words, it has a liability on its books to pay somebody the debt but at the same time has a receivable from Hydro in the same amount. That's directly reflected in the accounts, as you will see in a moment in the statement of financial position.

However the big debt, the part that went from \$28 billion, peaked around \$32 billion and is now at \$29 billion, is the Hydro debt that the province guarantees, and they do that for a fee. There is an annual revenue that the province earns from guaranteeing that debt, but it is essentially guaranteed, which helps Hydro to reduce its interest rate because it's an additional security feature when people in the public are looking for the debt, that the province has supported that.

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Below that we are getting into areas that are a little bit outside the normal financial reporting and that's a very welcome disclosure. What has been the gross domestic product of Ontario at market prices? In 1991-92 it was \$278 billion; now \$313 billion, or approximately an increase of 13%. It's interesting to see that our revenue increased by 20% when the GDP increased by 13%, so

the government has taken its slice out of the gross domestic product.

The personal income per capita of Ontarians at the same time has remained relatively stable, as you can see, from \$23,500 per annum to \$24,000 currently. Another very important indicator is what Ontario's debt looks like as a percentage of gross domestic product. That's one of the indicators that, for example, rating agencies and other people are looking at very closely to see what was the capacity of the province to borrow and what is the ability of the province to repay its debt. That has increased by about 65% from 1991-92 to the current year. It jumped very significantly between 1992 and 1994 and then has maintained its rise, but at a less steep degree between 1995 and 1996.

That is a little bit of a five-year summary of our past financial history which I thought was a very useful part to give the public and to give you as legislators.

I very quickly want to review with you the financial statements themselves, this being the committee on public accounts, and I'm just going to follow through in the sequence in which it is there, if you wouldn't mind bearing with me and switching to page 18.

As you know, I have given a clear, unreserved, unqualified audit opinion on the public accounts this year. The question an auditor always has to face is, if you give one opinion on the public accounts, what kind of opinion do you give a second time around? So professionals — not to confuse the public, because they don't know which counts, so there are big differences made in the two opinions.

Essentially, at the federal level, for example, the Auditor General gives the federal government, when they prepare the annual report, an opinion that says the summary of financial statements fairly present. Unfortunately in a way — I shouldn't even say "unfortunately," but I couldn't quite do that this year because one of the key financial statements was not included in these condensed financial statements. I have a copy of it for you to take a look at as to what it was.

I should confess to you that I didn't do that with any regret or that I am very concerned about that. It is just a matter of completeness. A set of financial statements should include a statement of changes in financial position, and I just very quickly want to walk you through the significance of it. There is really only one.

You will see that the operations used up the deficit for the year in terms of cash, of \$8.7 billion, but at the same time, as you see a little bit further down, if you go to the line that says "Cash Provided by Financing Activities," there's debt issued by the province and you see that although we had only a deficit of \$8.7 billion, we went to the market and borrowed \$11.1 billion. This gives you the answer as to what did we do with the cash and the answer's really straight down below it. Simply we increased our cash holdings by virtually the same amount, by the excess, by \$3.3 billion.

Again, with the financial background that I have, I would praise the Ministry of Finance for doing that. That has been something because as interest rates tumbled, it's really worthwhile going to the market at low rates and building up the cash reserves of the province.



**Mr David Ramsay (Timiskaming):** This is a long-term loan then, is it?

**Mr Peters:** Mostly long-term, yes.

**The Vice-Chair:** Excuse me, Mr Peters. As questions arise, I think it might be better just to field them as we go along rather than hold them all to the end. It might be a bit more pertinent that way.

**Mr Gilles Pouliot (Lake Nipigon):** I have several. I'm just as equally proud in terms of background. Imagine, you're commanding, you're the number one person here, sir. You were very quick off the mark on questioning and it's your tenure. The potential liabilities on Highway 407 because of the partnership, nowhere in your report do you mention that of the marketplace, the fact that the province borrowed the money in lieu of, in this case, the successful bidder, Highways International, being anywhere from 60 to 75 basis points cheaper, which will be reflected on the tolls. Of course you don't mention that.

You use words such as "strange" vis-à-vis our administration. Then you commend the government for borrowing \$3 billion, grosso modo, more than it needs to service the rollover. You should also caution the government, as we gaze into that crystal ball, that if they had waited four months more and borrowed this morning, the rates are at a 38-year low. The thing is the borrowing capacity was exceeded, was surpassed by \$3 billion. I'm a person of very moderate means. If I see suits on sale and I need, let's say, three, because they're on sale I might buy six suits. That way, look at the money I will save.

Nine and a half months into the government, page 15, total expenses keep rising. We have nine and a half months of ruling by decree and regulation, ie, the less fortunate, the welfare recipient — they took it big time, Mr Peters — and yet expenses keep going up. That should have been highlighted. So you can go one, two, three — we respect your science. We're looking for consistency.

The Hydro debt — and you knew, sir, that it went beyond rumour that it was a plan of the government to possibly privatize Hydro. The only thing at stake when you wrote your report was when they were going to do it and what components of the \$42 billion weren't an asset. So, you see, on the 407 the province could be on the hook for the \$1 million. The original contract was \$929 million, the province with its broader shoulders assured the borrowing.

What about Ontario Hydro, should they sell? The province is on the hook for the major portion of the borrowing, which is in addition to your deficit on page 15 and, meticulously, I draw your attention not to the first instance of \$38 billion, but to the big amount, the mother lode here, which is \$29 billion. The parallel is filled with validity and it should have been made in your report. I thank you.

**Mr Steve Gilchrist (Scarborough East):** On a point of order, Mr Chairman: Mr Pouliot is asking Mr Peters to speculate about government activities that have nothing to do with whether or not the financial statements were prepared according to generally accepted accounting principles. I thought that's what we're here to discuss today, the strict financial interpretation of what happened

last year, not whether or not we might privatize Hydro, not what might happen as a consequence of your contract to build Highway 407.

**The Vice-Chair:** Mr Gilchrist, it's not a point of order, but I think your point pertaining to what we're dealing with here today —

**Mr Gilchrist:** With all due respect, if it's an item on the agenda, it is a point of order.

**Mr Pouliot:** We're talking about small business paying the taxes, Mr Gilchrist.

**The Vice-Chair:** Just in terms of what we're here for today, I think what we should try and do is be very specific in our questions. I think we can get through a lot more in terms of the productive information-sharing session with the auditor. You've asked a series of questions, but I think one key question, if I could ensure that certainly from my emphasis and that of the committee, is this comment about increased cash holdings being beneficial. I would like that cleared up.

1030

**Mr Pouliot:** It's a question of if you would have waited four months, you could have saved —

**The Vice-Chair:** Okay, Mr Pouliot. Would you let —

**Mr Pouliot:** Commend the government for something that happened yesterday —

**Mr Peters:** If I may deal with two questions. Certainly there's one factor that I want to air immediately. In my report I am abundantly clear, Mr Pouliot, that the reason the province took over the financing was because the financing costs would be lowered for the entire project. That is very clearly stated in chapter 3.18 of my report, so I'd like to put that on the record.

As to the cash, that has been a methodology used by the treasury for the last five years. It did not come in with the current government. In previous years, we had significant fluctuations in the cash holdings. They have moved from, I think, \$5 billion in the previous government to \$8 billion at one stage.

All I'm saying is that nobody has a crystal ball to be able to project future interest rates. I think everybody who's in the market speculates that interest rates normally decline in years — it has been the history — when there is a presidential election in the United States. Privately, many people schedule their refinancing of their mortgage into that period because they always know that's a good point.

Speculating on future interest is not — but it has always been a fiscal policy of this government to have sufficient cash on hand to meet its obligations and to increase it.

**Mr Pouliot:** My problem since there's nothing —

**The Vice-Chair:** Mr Pouliot, wait. I think it's the auditor's turn here. We'll give you an opportunity.

**Mr Peters:** The others are really policy statements on which I'm merely presenting to you the facts as reflected in the annual report. I've no rancour as to — in fact it may be a good question as to why it was done. I'm merely pointing out that it was done and what it has done to the finances.

**The Vice-Chair:** I just want to make sure we get it on the record either now or later. I think it's very important



to list the advantages of having increased cash holdings. I think you mentioned that it has been done for the last five years. You mentioned it was a beneficial undertaking to the financial state of the province for doing that. You commended them for doing that.

**Mr Peters:** Correct.

**The Vice-Chair:** Why? How does it work?

**Mr Peters:** The way it works, one of the other features is the deficit itself is not the only cash drain that the government faces. The government also has to be very careful how it manages its debt and some debt matures in big amounts in one year and smaller amount in other years.

To allow the flexibility when they go to the market — I'm not sure, and maybe either Mr Siddall or Mr Christie knows the date, but I know we have one year coming at us where we virtually have to roll over 25% of the province's debt in one year. About \$23 billion is the number that sticks in my mind. When these are coming at the province, it's far more advantageous for the province to face these with cash in the bank than being on the last dollar and having to go out and borrow necessarily at very high rates.

**The Vice-Chair:** Okay.

**Mr Gilchrist:** As a question to the auditor, would I be safe in assuming that \$3 billion has already been rolled over? We're talking about March 31. That was the cash position of the government. That much debt has already been refinanced.

**Mr Peters:** I can't answer that question, but maybe the officials from the ministry can.

**The Vice-Chair:** Mr Christie, maybe you can add to this.

**Mr Bob Christie:** Sure. I can't give you the figure as to how much debt would have been refinanced to date in this fiscal year, but the figure for retiring debt next year is on the order of \$6 billion.

**Mr Gilchrist:** By "next year" you mean the year —

**Mr Christie:** Sorry, relative to the 1995-96 year that we've been discussing, the 1996-97 year that we're in at the moment, the projected —

**Mr Gilchrist:** Given that we're within two weeks of the six-month period —

**Mr Christie:** If it retired evenly, then roughly half. I might add, the normal level of retirements that we've experienced over the last several years of debt rollover has been more in the order of \$2 billion. It's \$6 billion, as I say, this year, and we will experience a higher level over the next several years, largely as a result of some of the shorter-term borrowing that was done in the early 1990s after the onset of the recession and the impact of that on Ontario's borrowing requirements. So the point that the auditor is making pertains not only to this year but to a succession of upcoming fiscal years.

**Mr Gilchrist:** The debt that we're rolling over this year, have you before you there an average percentage of the interest rate that the debt will retire in?

**Mr Christie:** No, I don't have that. The bulk of the public market debt that's being rolled over this year is a five-year debt that was borrowed in late 1990-91. To the best of my recollection, interest rates at that time were

certainly higher than they are now. So that will have an impact on our public debt interest cost, which has been taken into account in terms of our projections on this year.

**Mr Pouliot:** What troubles me is the size vis-à-vis the requirement. There is nothing callable here. If there were, it's market, it's premium, you'd have to pay the price. You have enough volume, but what strikes me, because I can't help but make a relationship that you use the extra, the supplementary borrowing. It may not be all that unwise, but the debt is structured in such a way that there is no bargain by borrowing more because of the interest rates. You service the heart of the debt. The supplementary, if you were to use for cash flow, for current, makes some sense, but you have 13%. Your relationship between GDP increase — you have a 20% increase, Mr Peters, or 13%? No, a 13% increase.

That I take with a grain of salt for the moment, because it has to be factored in over a longer period because there is very wide fluctuation between the revenue that the state takes or doesn't take and increase and/or decrease in GDP and because you have to factor in seasonal export market. There's a lot of fluctuation there when you talk about revenue.

I see in your expenditure of \$57 billion — what I'm saying is that you took a chance. It's an invitation you couldn't resist because you borrowed more. It's not unwise to do it for your current, to pay the bills, but your expenditures keep going up and up. When all is said and done, if you work in a time span of more than six months you're just as liable to say, "We commend the government but it was revenue-neutral," that when all was said and done with the excess \$3 billion that you did not need, even if you factor in that you use it for cash flow, be very careful. It's not cause for celebration; indeed, it could be cause for caution when you do it in the future. That's all.

**The Vice-Chair:** We'll let Mr Peters continue.

**Mr Peters:** A fair point.

**The Vice-Chair:** It is a fair point, Mr Pouliot.

**Mr Peters:** You have to look at one or the other thing. We can't go into fiscal policy as to what you want to borrow domestically, what you want to borrow in foreign markets and how the exchange rate works and whether you're better off doing Canadian.

Certainly one thing I can share with you is that I had a meeting with some bankers the other day and the province's treasury received high praise from those bankers as being one of the best they are dealing with, and this was a large international bank. They had a bit of a turnover in staff, but I think overall the treasury seems to be doing its job.

The next part, if I can go back to the annual report, "Management Representation." That's why we're talking about these points that are being raised. It's actually the management that is responsible. Mine is just an opinion on these.

1040

**The Vice-Chair:** That's page 19.

**Mr Peters:** Page 19 indicates it's as recommended by the — I assume that the Ontario Financial Review



Commission recommended that management explain its responsibility, and particularly the second paragraph is very clear in what they are assuming: "maintaining systems of financial management and internal control to ensure with reasonable certainty that the transactions recorded in the financial statements are within statutory authority, assets are properly safeguarded and financial records are reliable in preparation of the province's financial statements." That's management's responsibility that this is based on.

If we just flip over for a moment — and some of the discussion that I thought this would engender has already taken place. The statement of financial position indicates the liabilities of the province and the so-called financial assets of the province. One of the points I thought I would raise with you at this particular stage is why are we talking only about the financial assets but not about the tangible physical assets that the province owns, the infrastructure and all of those things.

This is because the focus of governments is largely on what is called the net debt number, which is called on the statement the accumulated deficit. If that is where the focus is, then if we spend a dollar on building a road or a dollar on paying a school board for education, it's still a dollar spent and the government had to look after: "How do we get those two dollars? What do we fund them from? From the taxes or from borrowing, or which way do we go about it?" The focus has been largely on the cash flow, if you will, in this.

In the private sector, as you know, physical capital assets are acquired to earn a profit, and because you don't earn the profit in one year you amortize these over the years in what you call the useful life of those assets, which will contribute to the profit-making capacity. That has been the traditional accounting view of physical capital assets.

That view started to change largely through the charities. The charities were starting to complain, "If people give us donations and everything else and we buy a car in a certain year and that car will last us five years, why do we have to write off that car in the first year and show everybody that we had a huge cash flow when nobody has really measured what is called the service value of that vehicle or of what they are doing and which earns us longer."

The concepts are changing and what is coming at all governments is actually this famous PSAAB that many of you have heard about, the Public Sector Accounting and Auditing Board. Currently, actually this month, an exposure draft is going out to the public by PSAAB of a way in which the value of the physical, tangible property owned by the government can be recognized.

That is one of the future — looking a little bit forward — potential events that can happen where eventually you may look at a statement of financial position which will not only include the financial assets of the province — of the provincial government, and that's one other distinction I want to make in just a moment. You will also be able to include the cost of capital spending and take that over a number of years, and that's coming at us.

Why I made that quick distinction between the government and the province is one other conceptual — and I hope I can convey that message clearly; ask me questions if I don't. When a corporation enters into any financial transaction, that transaction will have an impact on the wealth of the corporation as a whole. It either increases the profit or loss or ultimately the equity of the shareholders in that corporation.

Governments don't work that way; for example, when the government invests \$400 million in building a new road or something like that, it is the public that will be using it, not the government itself. So the financial statements of the province, although we call them the financial statements, the public accounts of the province of Ontario, measure essentially the wealth, if you will, of just the government, not the province as a whole.

That is why we are measuring here only the financial assets of the government, and we've called them the assets of the province. Everyone in this room and everyone outside this room knows that the wealth of this province of Ontario is in this room, and it's therefore not reflected in these accounts. By taking the capital assets which are funded by the government into it in the future, we are taking a little step towards more fairly representing the wealth of the government.

**Mr Gilchrist:** While we're on that topic, in other words, there's nothing in the statement of financial position that reflects our ownership, for example, of the Ministry of Environment and Energy building at St Clair and Avenue Road.

**Mr Peters:** No.

**Mr Gilchrist:** So all government assets are basically expensed.

**Mr Peters:** With one exception, and that's a very important one, and I was going to get into that when I was going to discuss with you the reporting entity.

If the government has created a business enterprise that essentially earns its revenue from the outside, then that asset is reflected on something called the modified equity basis, but essentially it is drawn in. For example, at the moment the cost of Highway 407, the construction cost to date, to get back to Mr Pouliot's point, is actually reflected as an asset in the statements through the investment the government has in the Ontario Transportation Capital Corp.

It is there because of the hope, and this is why this careful analysis is taking place, that the toll revenue will actually pay for the asset. It's not to be funded out of the tax base, but it's to be funded by earning toll revenue. The same as, for example, the terminals that people are betting at for the Ontario Lottery Corp are included in here because they are an asset of the lottery corporation. The same with the liquor control board: its buildings are already in the assets base of the corporation.

**Mr Gilchrist:** That's just the \$2.114 million shown there.

**Mr Peters:** That's right.

**Mr Gilchrist:** So it's quite conceivable that there are myriad other assets available for disposal that are not reflected in the books of the province.

**Mr Peters:** The assets that we currently have identified for disposal are included in here because they're



considered financial assets. Once they are identified — here, for example, we have the Ontario Realty Corp. Some of its assets, that is, those assets which are held by the realty corporation for sale, the real estate sale, are included in here at an estimated value of lower cost or net realizable value. So they are reflected.

**Mr Gilchrist:** The other question I have is on the expense side of things: Are you comfortable with the fact that to write off a bad debt is not listed as a separate line item? Presumably things such as non-repayment of student loans are being lumped under education and training. Income taxes we don't collect. Who knows where that would be, maybe under general government or under public debt interest. Would you not be more comfortable if that was stated as a separate line item so that the people of this province could see how much of legitimately expected tax revenue is not being collected for people that for various reasons —

**Mr Peters:** It's a very good point. The amount of the write-off itself is actually in the public accounts. It is on schedule 5. The province discloses its provision for doubtful accounts as a separate line item, so it is available for reading. It just doesn't happen to be in the annual report because these are condensed financial statements.

**Mr Gilchrist:** No, but my question was the significance of that number. You don't think that should be shown even in a condensed version of expenses?

**Mr Peters:** Essentially not, because it is condensed, because the public is actually expected to read the annual report in connection with the public accounts. So we won't reflect everything in it.

**Mr Gilchrist:** Fair enough.

**Mr Peters:** What we do, though, is that in arriving at my opinion, there's a very careful evaluation of this and I think our representative from the Minister of Finance can attest to the manifold discussion that goes on to make sure that this amount is fairly presented.

1050

**Mr John Hastings (Etobicoke-Rexdale):** How would we treat, then, Province of Ontario Savings Offices? Are they considered a modified equity example?

**Mr Peters:** Yes, they are. If you look at page 20, you'll find that the deposits that the public has made with POSO are actually reflected as a liability and the assets that we are holding for them are actually included in our cash. They are things that we are holding.

**Mr Hastings:** What would happen if those offices are located in buildings owned by Ontario Realty? Then Ontario Realty assumes the asset?

**Mr Peters:** It depends very much on the ownership of the office and what is — POSO, as I understand it, as an operation — my memory fails me right now. I'm not sure whether the Ontario Financing Authority, which actually has taken over the operations of POSO, reflects the capital assets of the savings offices in its books. I don't think so.

**Mr Hastings:** Most of them would be in rental offices.

**The Vice-Chair:** I think Mr Christie may be able to clarify that.

**Mr Christie:** I was just going to make the point that most of the POSO branches are leased or rented, with the

exception, I believe, of the one in the Macdonald Block, for example, which would correspond to the example that the auditor has used with respect to the ORC. But a number of others, many if not most of the others, are in private buildings.

**Mr Hastings:** Most of the other agencies then, it depends on whether they're a schedule A, B or C as to whether they'd be included in modified equity?

**Mr Peters:** Yes. Well, the dependency is really on what their source of revenue is. If they are fully funded by the province, then their assets are taken out. I wanted to get into that in just a moment. If their source of revenue is outside the government entity, then the assets are reflected as a financial asset of the province.

Essentially, if you allow me to just lead into this, there are three kinds of organizations; we categorize these government organizations into three categories. One is called our government service organizations. Again I did not bring the list along, but to give you an example — they are listed in the public accounts, and examples that are listed are the Crop Insurance Commission, the Northern Ontario Heritage Fund Corp, the Ontario Financing Authority, and this year, for the first time again, the Ontario Realty Corp. They are all considered so-called government service organizations and they are taken in on a line-by-line basis and any capital assets, for example, actually written off to expenditure on this consolidation, on the merging with the consolidated revenue fund.

Then there's a second category which are the so-called government enterprises, and those are government enterprises which earn revenue from outside. I mentioned some of them already: the Ontario Lottery Corp is one, the liquor control board is another. Ontario Clean Water Agency, Ontario Casino Corp, Toronto Area Transit Operating Authority, GO Transit are government enterprises, and there the government does reflect in the statement of financial position its equity in those organizations, and the dividends they paid are included in the revenue of the province.

**Mr Hastings:** Do you include entities such as the Ontario Science Centre and Ontario Place?

**Mr Peters:** Good question. Offhand, I don't know which way they are —

**Mr Robert Siddall:** The list that's in the financial statement is the list of the major agencies, but all agencies are included, including the science centre; they're included in the government's financial statement.

**Mr Gilchrist:** Would it be possible to get a detailed listing of that schedule?

**Mr Siddall:** Yes. I've got it here. The financial statements I've got here as well.

**Mr Gilchrist:** It would show broken down by entities.

**Mr Siddall:** It would show the major —

**Mr Gilchrist:** No, I'm concerned more now about —

**Mr Siddall:** Oh, about all the agencies in the province?

**Mr Gilchrist:** Things like Ontario Place and the science centre.

**Mr Siddall:** Yes, we can get that to you.

**Mr Christie:** We can get you the details.



**The Vice-Chair:** If we can continue, I think Mr Peters has about 15 more minutes to go.

**Mr Siddall:** Could I just make one point? Maybe it would be helpful in terms of showing the impact exactly on the financial statements of the two examples that Mr Peters has brought forward.

The Ontario Financing Authority is, as Erik said, a service organization. The assets of the financing authority would therefore be included in the province's financial statements on a line-by-line basis, so as Erik has mentioned, the deposits with POSO are shown for the year 1996 as \$2.2 billion. The example of Highway 407, all of their assets and liabilities are knitted together and an equity position is brought forward into the province's financial statements. That equity position is included with the equity positions of other government enterprises and it's included as a financial asset under investment in government enterprises of \$2.1 billion. So I think that should give you an example of the two types of organizations that Mr Peters was referring to.

**Mr Peters:** Just very quickly to touch on the last one, and then I want to get into the statement of operations very briefly with you. The third category of the so-called trusts, those are organizations that are remaining outside, where the government has some policy influence but really they're funded outside.

The most classic example of that is the Workers' Compensation Board, which is outside the government. These financial statements do not include the unfunded liability of the Workers' Compensation Board, on the basis that the government has essentially created a trust which is operated by the employers in the province for the injured workers, and that is that trust arrangement. The financial position of the Workers' Compensation Board is displayed in the public accounts by way of a note, but the financial transactions of the Workers' Compensation Board, unless they are administering a government program, which they, for example, as of now do — the Workplace Health and Safety Agency's work I think has been taken over by them, which they funded already all along to a great extent.

The other organization I thought I'd mention very quickly is Ontario Hydro itself. Ontario Hydro is a somewhat strange organization in terms of its ownership. It is incorporated under the power act — I forget the exact title of the act — but under that act there is really no equity provision made. The formation of the organization, if you look at the financial statements of the municipalities, you find that most municipalities claim they own a piece of Hydro. For example, the city of Toronto says it's around \$400 million, if I remember correctly; Mississauga says \$110 million. Mr Hastings might know Etobicoke's number. I don't know offhand.

The organization itself, technically the best way to put it is that Ontario Hydro is essentially owned by the ratepayers through the municipalities. It's very convoluted. If Ontario Hydro gets into the position of earning more revenue than it needs, it is supposed to allocate those excesses to two reserves. One is called the income stabilization reserve, which is designed to minimize fluctuations in the power rates, and the other one is a debt redemption reserve, which obviously they need if

they have \$29 billion, plus the \$3.8 billion, so \$33 billion worth of debt on the books.

So Hydro is excluded from these financial statements because the province does not have an equity in it. It's as straightforward as that. There's no equity shown.

It's also a revenue earner. The ratepayers are paying a bit of the guarantee fee anyway, for a small consolation that it is, and it earns about \$100 million for water rights, usage of water or something like that. But essentially there's no equity shown. The Ontario Financial Review Commission had the legal department of Ontario Hydro before it to clarify this situation and that was essentially what they confirmed, that there was no equity. It is on that basis that both the Ministry of Finance and my office have agreed that Ontario Hydro is not directly in the financial statements of the province.

**The Vice-Chair:** There's a question. Mr Pouliot, then Mr Hastings.

1100

**Mr Pouliot:** Just one small clarification. On page 29 under "Toronto Area Transit Operation Authority," it is noted that the Toronto transit authority is inclusive of GO Transit. I see your "CRF" at the bottom of the page, left side, page 28, the deficit position of \$68.3 million, your commitment. Is that directly reflecting the cost of the lease-back arrangement made by Ontario Hydro?

**The Vice-Chair:** What page is that?

**Mr Pouliot:** Both 28 and 29. Page 29 is the heading, and 28 is the item.

**The Vice-Chair:** You're in the financial statements.

**Mr Pouliot:** Yes, but Mr Gilchrist has raised assets.

**Mr Peters:** No, those are the operating results of the transit authority, not necessarily the debt. But you're allowing me to make another very quick point, and that is that some of these organizations are not necessarily organizations where 100% of the revenue comes from outside the government. There are some of these who receive subsidies, and GO Transit would be certainly an example. I believe the numbers, 25% comes from government grants, something like that.

**Mr Pouliot:** But on the operation of GO Transit, 100% of rolling stock, the fare box, an estimated 70% from consumers straight to the fare box. That's their relationship. The remaining 30% is straight from government, from our pockets, from general revenue.

**Mr Peters:** I don't know the exact percentage. There's a current movement. Probably in the current year the Ministry of Finance is going to carry out an evaluation of this situation along with us, because the definition of a government enterprise has changed a little bit under the PSAAB accounting rules and we have to see what the impact on the financial statements of that change in rules is. They have gone from virtually sustainable to being able to sustain all the operations, in a nutshell, the difference. As you can tell, it's a nuance that we have to deal with. But it may result in some of the organizations that are currently business enterprises losing their status.

**The Vice-Chair:** Mr Hastings just wanted to ask a question before we get too far along.

**Mr Hastings:** How do you account for or have any reference, Mr Peters, to all the art that's held in this building and in other places like McMichael — separate?



Stuff you see on the walls around here and a lot more that's in appropriate storage, I presume — do you just ignore that or is it counted into property?

**Mr Peters:** No, it's an expense, because the assembly is part of the government operations, so also works of art are expended as they are charged to the bottom line when they are acquired.

**Mr Hastings:** What about ones that were acquired 50 years ago?

**Mr Peters:** They're still —

**Interjection:** Not assets?

**Mr Hastings:** Even if they were donated?

**Mr Peters:** No, it's not an asset.

**Mr Hastings:** All considered debt?

**Mr Peters:** If you want, it's written off as acquired.

**Mr Siddall:** The exposure draft that Mr Peters was referring to just deals with tangible assets. It will not put the type of assets that you're talking about in terms of monuments, works of art, on the province's books.

**Mr Peters:** If we can flip over to the statement of operations and accumulated deficit which you'll find on page 21. There is a discussion of the financial highlights, of course, later on, but it outlines the sources of revenue and the trending, personal income tax, retail sales tax etc. It summarizes the expenses essentially by major function, like it shows the expenses on health, on social services, which is largely Comsoc, education and training, the public debt interest — and you can see where it is now in the positioning, the fourth-largest expenditure — resources and economic development, rolls in quite a number of ministries into that, justice rolls in, essentially the Attorney General's and Solicitor General's operations, and then there's general government, which are quite a number of ministries and the operation of this building and the assembly and things like that.

Then we have an unusual item, which is "Restructuring and Other Charges." That comes from, again, an accounting rule to a great extent. If governments make the decision to downsize, governments are asked to recognize in the accounts the costs associated with that downsizing when the decision is made, not when the expenses are actually paid out. So a large portion of this \$1.3 billion — and that is analysed on page 11, if you wouldn't mind flipping with me very quickly to that. It's a bit of an unusual item and you might want to —

**The Vice-Chair:** Mr Pouliot has a quick question.

**Mr Pouliot:** Under "Restructuring and Other Charges" — and I'm hanging on to your every word; in fact, I can quote verbatim — the second-last item, "\$30 million for termination of the former MPP pension plan," that is supplementary to what is already in LARA, the Legislative Assembly retirement allowance, right, in the existing plan? What's happening now is that Price Waterhouse, under its sanctity, has gone to the market and it has to bid on the non-active, people who have retired before I would have, and then the active members. So it's two different pots: One is annuitized and the other is option to lock in and partly annuity. The thing is, \$30 million won't even cover —

**Mr Ramsay:** Your pension.

**Mr Pouliot:** — the annuitized.

I don't depend on these people here, thank you.

Does that factor in the \$52 million or thereabouts already in LARA? Because my understanding is that when you blend both, the responsibility will entail closer to \$90 million than \$30 million. I take it, therefore, that this would be a supplementary charge.

**Mr Christie:** This is a provision for the additional costs over and above what's already provided for in the LARA account. As you know, the LARA account did not try to capture unfunded plan liabilities or things like that. It wasn't an actuarial estimate of the liabilities; it was the annual deposits to the account. There was, in essence, an unfunded liability on termination of the former plan and there had to be a provision made to cover that on the conversion of the liability.

**Mr Peters:** The big two portions are the first two. One deals with the provision for early retirement for civil servants, and the next portion is the \$400 million for employee severance charges net of pension costs. Those two would be fairly directly linked to that decision of downsizing, so about \$850 million. There are some other unusual items. There was a landmark decision on corporation tax which cost the government \$310 million. That was put into this amount.

But I thought one of the other matters on this that would be of interest to you is that in the public accounts there is another breakdown of the expenses. It's shown in something called schedule 2 of the public accounts. It gives a little more of a flavour in the generic sense as to what our expenditures look like. If you look at the first two captions, "Salaries and Wages" and "Employee Benefits," you'll find that the government spends 9.4% of its expenditures on public servants; in other words, less than 10% goes into that category of total expenditures. The other ones are fairly small.

But you realize — and this is one of the points I'd like to make to you; this is why, for example, we discussed proposed amendments to the Audit Act — that transfer payments represent 70.2% of the government's expenditures. That includes a wide variety of expenditures. That includes all the expenditures of welfare recipients. They are called transfer payments for this purpose. That includes fee-for-service charges by the physicians. That is fairly large, about \$6 billion or \$7 billion. That includes the organizations we have been talking about in the proposed amendments to the Audit Act — payments to the hospitals, school boards, municipalities, universities. All of that is in there. But I thought it would give you a little idea of the magnitude of the kind of money that flows from the government, either to individuals or to organizations, in pursuing legislation that is on the books of the province.

1110

Interest on the debt you can tell is 14.5%.

Those are just the big ones. There are two ways of breaking it down, and both of them are informative and interesting. How much we spend on health and how much we spend on education is a good breakdown. It's good to know, but it's also good to know what the characteristics of the payments are, whether they're transfer payments or whether you're paying salaries to individual public servants.



With that, I want to very quickly go back to some of the economic highlights, which are the very unusual features of this report, and just point them out to you, showing the trend. Page 2 shows some of the economic indicators. For example, the first bar chart on page 2 shows the comparative growth in gross domestic product, comparing Ontario and Canada from 1990 to 1995. With the exception of maybe 1992, we are either worse or better than the rest of the country. That gives you that picture.

The other one is the comparative real output growth, and this is over a two-year period in this particular case. You can see that in 1994-95 — which is the last year for which statistics were available at the time when this was published, because we have a March 31 year-end; many of them are really done on a calendar year basis and other bases — Ontario's growth is higher than that of any of the G-7.

The inflation that we suffered in that period, or the degree of inflation — I shouldn't use valiative adjectives like "suffering" or whatever, but that's what we incurred — is a very unusual item, of course, in 1994, and that was because of the way the CPR basket is put together. Tobacco products play a big role in that, and the upshot of it was that the tobacco tax cut significantly reduced the CPI because of the weight it had in the basket.

Job creation is another statistic that the government wanted to put out. It shows, on page 4, the job creation in the province, relatively flat in the last two years, 1994-95, at 71,000, but it is positive.

As to the financial highlights — and this really deals with statistics that link financial data with non-financial data — with the ratio of Ontario spending to gross domestic product you can see there was a steep increase. We're now heading back down in terms of the ratio that is occurring.

Pages 6 and 7, as recommended by the Ontario Financial Review Commission, present our sources of revenue and expenses by major category in the form of a pie chart, but we largely have gone through that. It's a graphic display that is fairly useful. It's open for questioning.

From page 9 on is really the discussion of the government's financial performance, of the changes that occurred in the deficit and revenue, what role tax revenue played in it, what the individual components of the tax revenue were, where we stand as far as transfers from the government of Canada are concerned — how much we got — and how much we get out of the various programs we have. "Other Revenue" analysed the income from government enterprises. I've mentioned that to you.

On page 10 there's a little bit of detail. I'm doing a little bit of a flying overview here. The changes in the expenses are analysed out. We talk about the restructuring expenses. Then there's an analysis of the provincial debt which shows how much is owing to the public, owing not to the public, owing in currencies other than US dollars and in US dollars. The Ontario debt-to-GDP ratio is also shown, on page 12.

The government talks about prudent debt management and the financing initiatives that are launched, and then concludes with a bit of a discussion of Ontario Hydro.

With that, I think I've taken up about as much time as you probably ever want to spend on this subject, but in conclusion, I'd really like to again raise the point with you that this additional financial information is good for the government to have. I consider it good information for the members of the public accounts committee to have. I don't mean to sound patronizing, but one of the things that has happened over the years is that although it has been the standing committee on public accounts, the public accounts committee has only discussed these in moments of crisis, like when I had to qualify the opinion a few years back. I thought that it was actually time, when better disclosure was happening, when that would be a point to bring up to the committee.

**Mr Hastings:** In the big report, the thick one, Mr Peters, could you give us a status report at all regarding the discussed amendments to the Audit Act that we recommended last June 13? Without disclosing confidentiality, where are we with the finance ministry on those amendments?

**Mr Peters:** I believe the committee had set a date of September 26 for an action plan by the Minister of Finance, and I think on that very date the minister delivered a letter to the Chair of the committee as to where he stood. I'm not sure whether that has been shared with the committee members or not. It indicates, as I indicated in my press conference, that the Minister of Finance agrees with the principles that were outlined but expresses somewhat of a concern about timing, because of the restructuring of the transfer payment system that is currently under way, and would like to see this come forward when that is resolved to see what the audit regime over those transfer payments actually should be.

I should tell you — and I don't think I'm betraying a confidence — that I met with the Minister of Finance on the issue. There were two points raised. I felt, and I believe the Minister of Finance agreed, that regardless of the restructuring, there would always be transfer payments made by the province with strings attached. Regardless of what happens, some sort of control regime will have to be put into place as we go along on this.

The second part that was raised — it's certainly a very valid point, and we didn't spend very much time on it in committee — is that I never had the intention of auditing organizations that received minimal amounts of their revenue from the government. It would have to be a goodly percentage. Offhand, and this is certainly subject to further discussion, I think the cutoff may be at least at 50%. They must receive 50% or more from the province before we look at them. That was just an overall discussion. It stemmed from the discussion of finding out what is happening in the system. As many organizations, for example, increase the proportion of externally earned revenue to what they get from the province, they may ultimately fall off the audit regime.

1120

**Mr Hastings:** On an unrelated but significant matter, I didn't see anything in the report on this: As we go through downsizing and restructuring and as offices fold into other ministries, whatever you have, how are we keeping an account of inventory, particularly of com-



puters, both the laptop type and 386s and 486s? I raise this question because I've had a couple of constituents come to me alarmed about how stuff is moved out, sold off. In more than one ministry, and I won't name them, there doesn't seem to be any controlling mechanism or reporting in place: When an employee leaves, does she or he get an opportunity to buy a laptop computer, as an example, or is it given away? There seem to be conflicting stories on how that kind of thing is handled, and I suppose it reflects in other areas of property that employees get to use while they are in the employ of the public service. I wonder whether you are concerned or have had this brought to your attention. Have you issued or can you issue any MOAs or cautionaries as to how this is to be handled?

**Mr Peters:** We have not examined this area. It would differ from ministry to ministry. In my own shop we keep very close tabs on the computers, who has them and where they are located. We have an inventory list that we keep. I trust that the ministries would do the same.

The effort to take account of inventory, which we reported on in 1995, was from our perspective considered unsuccessful. The government spent something like four point some-odd million dollars to count computers, about 60% of my budget. I was astounded by that, spending that kind of money on just counting computers, and the inventory that was produced had the shelf life of a banana. The inventory that was produced was simply not maintained at that particular point.

**Mr Gilchrist:** Let the record show that was the early in the 1995 year.

**Mr Pouliot:** That was all changed, Steve. It's all changed now.

**Mr Peters:** How this is controlled in the individual ministries, I couldn't answer the question.

**Mr Hastings:** Do you think there ought to be some sort of standardized approach to this without spending a lot of money? For example, if you're going to get rid of computers that are out of date, and people are buying stuff before year-end, should that stuff be sent out to school boards? There are hundreds of schools in this province that hardly have any type of computers. I don't want to go off on a tangent —

**The Vice-Chair:** If I can interrupt, Mr Hastings, I think this is something we could bring up, certainly, in terms of direction from the Provincial Auditor to departments. We might be able to have some guidelines from him at least to conserving first of all, and come back.

**Mr Hastings:** Fine.

**The Vice-Chair:** I just want it to be a bit more macro here in terms of getting through this, but I think it's a very good point in terms of inventory and the auditor's interest in inventory control.

Are you finished with your overview now?

**Mr Peters:** I've finished with the annual report. If there are any questions —

**The Vice-Chair:** I wonder if the gentlemen from the Ministry of Finance would have any other comments to make.

**Mr Christie:** I think Erik has been very thorough, and we thank him for his kind comments. I reflect again that

people have worked very hard to do some of the things that are done here, as he's noted, as has his office. The only thing I'd add is that the purpose of this annual report was, as the financial review commission noted, to communicate better with the people who are concerned about Ontario's finances. So if there is any advice, if there's anything that people would like to see included in this that wasn't included, obviously it would be very helpful for us to have your input on that and make this a more useful document to the Legislature and to any others who are interested.

**Mr Siddall:** Just following up on Bob's comments, I think part of the reason why it has been difficult to bring forward public accounts to the public accounts committee is the size and magnitude of the information we produce every year in public accounts and which all of you get in your boxes. One of the major objectives of trying to do an annual report was to get a document down, as Erik said, to within 20 to 30 pages and provide a lot more narrative around the numbers so we're not just producing a document that has a lot of numbers in it and doesn't have a context around it. Hopefully we've accomplished that.

**The Vice-Chair:** I want to thank you, Mr Siddall and Mr Christie, on behalf of the committee for coming here and making yourselves available. I think you can pass on the committee's appreciation for coming up with this very manageable, clear and concise overview of a very complex matter with the Provincial Auditor's help. It is commendable that it is quite understandable in terms of the pie charts, graphs and brief and pointed explanations. I think it's very positive because it helps us to understand, and the general public could pick this up and find it very useful too. I want to pass on to the minister our appreciation of that. Thank you.

1130

## COMMITTEE BUSINESS

**The Vice-Chair:** In the second part of the meeting we hope to determine the areas we're going to examine in the course of the coming session in the public accounts committee. We recall that in the last session we dealt generally with two major areas of concern: parole and the tax gap.

One of the things we wanted to put forth from our subcommittee discussions is that we'd like to try, in this session, to cover more areas that have been raised in the Provincial Auditor's report in a more sort of rapid-fire manner; in other words, spend a bit less time with more areas, though, so we'd be able to touch — I think in the last session we were going into two or three selected areas. The objective this time might be to try to cover off a greater number of areas of concern raised by the auditor and perhaps not to spend as much time in one or two so we can familiarize ourselves with more areas, more ministries and activities of various ministries. That was the general consensus of the subcommittee.

With that in mind we should try to set up a schedule of areas of, we might say, concern for this committee so we can give staff some idea of calling witnesses and preparing background material for the committee. I don't



know whether you want to leave the actual areas up to the subcommittee or deal with them now or whether you want to make some comments on the direction of the committee and what areas and how much time we spend on selected areas. It's really up for discussion.

**Mr Gilchrist:** Just as an aside, perhaps we could have a summary of our future subcommittee discussions brought forward for the benefit of other members of the committee.

**The Vice-Chair:** Okay.

**Mr Gilchrist:** I've noted, in descending order, six areas of interest and I'd be pleased to propose them. In large measure they are ranked by the dollar impact to the taxpayer. My first choice is section 3.04, Ministry of Community and Social Services, given that that was a total expenditure of \$3.4 billion. I can go through the list if that's a good starting point.

My second choice would be 3.18, then 3.07, 3.13, 3.05, 3.17. Two of them are Comsoc, the next one is colleges of applied arts and technology, Ontario drug benefit program, Ontario Realty Corp and Highway 407.

Not to denigrate in any way the work done on other sections, but for example on 3.06 the Provincial Auditor came out and said it was totally satisfactory; 3.08, OTAB, has been eliminated since the report was done; 3.10 we dealt with quite exhaustively in the context of the 1995-96 public accounts report, namely, tax collection. So those three, I submit, are totally inappropriate for us to consider.

I'd be pleased, on behalf of our members, to consider the dollar value of any other sections. But when you look at 3.02, for example, \$80 million on agricultural technology labs in the overall context of a \$50-billion-a-year government, I don't know if that's the best use of this committee's time.

**The Vice-Chair:** If I could comment on behalf of my caucus, I don't have any problems with those selections. I think you're quite correct that some of them are quite obvious. I don't really want to spend any time on the Liquor Licence Board of Ontario, where it seems to be fairly copacetic in terms of the auditor's report except for a few comments.

The only one I'd like to add that our caucus have some interest in is 3.09, the environmental standards and sciences division which, maybe not in pure dollar terms but in terms of direction and changes that are taking place in that area, is of concern.

In terms of your comments on 3.10, Mr Gilchrist, I would think it would be helpful in terms of a follow-up. One question in my mind is, you made recommendations in terms of certain initiatives and I'm just wondering where we're at with that. It being an area in terms of the magnitude, the tax gap itself and government's approach to dealing with that, I would like for us to keep some time on it just to put it in the context of where we started off last time and ensure that the thing we were concerned about so much was the follow-through on all this as we made recommendations and where they are now. I would like to keep a running account of the measures taken and not taken and so forth.

**Mr Gilchrist:** With that qualification, Mr Chair, I agree with you completely. You will recall that when we

discussed it the last time, we allowed a time period for the ministry to react to what we had proposed. I recall they had come back and told us they had already hired a number of auditors and more were to come, but perhaps this would be an appropriate one, well down our list, to give the ministry a few more months to put in place.

**The Vice-Chair:** I think that's no problem for us.

**Mr Bruce Crozier (Essex South):** You were speaking on behalf of our caucus and I'm kind of speaking on my own behalf. You mentioned that 3.18, which is 407, is an ongoing project, one where there seems to be I think some misunderstanding. Since yours was in descending order I would —

**Mr Gilchrist:** It was my number two choice, though.

**The Vice-Chair:** He did mention that.

**Mr Crozier:** Oh, all right. Thank you. When you said two Comsocs I put Comsoc at the beginning. So it is your second choice. Thank you very much. It is a full plate, so I'd like to see that right where it is.

**The Vice-Chair:** The auditor would like to make a short comment.

**Mr Peters:** I really appreciate the depth to which you've gone. Just by way of explanation, one I may want to bring to your attention again, although 3.08 was entitled "Ontario Training and Adjustment Board": We deal with three programs in there which the Ministry of Education and Training is taking up. Particularly the apprenticeship program could be a job generator in the province in the way it is handled.

It has an additional feature in it that you might find interesting to discuss, which is federal-provincial cooperation in this whole area of training: We are spending some training money, the federals are spending through the Department of Employment, we are spending money now through the Ministry of Education and Training. Are we doing the right thing and are we getting the right end product out?

We started out doing it as OTAB, but what happened is that the key programs we were looking at, regardless of who administered them, were really a significant — I just wanted to bring that to your attention because you made the comment that because it was OTAB it was gone.

The second one is one that I confess to you is fairly close to my heart, and that is 3.14, and that's the independent health facilities. This would allow the committee to deal with the privatization of health services in some way and how this is handled, because the independent health facilities are handled by the private sector and what role should the government cost-effectively play in ensuring quality of service. We have the Scarborough incident where people contracted hepatitis, and they ultimately had to be shut down. One of the concerns that we raise is that the inspection which is done by the College of Physicians and Surgeons — there is some significant improvement involved. I just wanted to raise it with you as a point of interest, although the program is spending close to \$400 million. I just wanted to raise it with you as another program area where it might be of interest. In a way, we had hoped to be helpful through the report to the Ministry of Health to cope with this sort of situation.



**The Vice-Chair:** Sorry to cut you short, but we probably have to go and vote. I don't have any problem with that. I think it's something that will be of value to us, and that's why I think this approach might enable us at least not to get totally into that area but at least be familiar with it to make certain there will be directional changes.

**Mr Pouliot:** Our party would certainly wish to address on the same parallel as you've mentioned, general assistance recipients, and I think it was not highlighted but certainly noted in your report as forever more vigilance. I'd like to blend it with 3.10. I see here that the Financial Post — page 135 of the big book — and Carleton Opinion Marketing and Public Affairs Surveys Inc indicated 26% of all small business owners admitted spending business money for personal purposes to avoid tax. That's more than a quarter of the survey, so maybe a little more vigilance. What it will yield in terms of dollars when we looked at — some people say tens of millions — it's pretty hard to collect, but certainly people must know that there is more vigilance and that they have a responsibility as well. In terms of the intake, in terms of the take, it's like mine. I have never made the money I think I will and I spend more than I think I should.

**The Vice-Chair:** I'm sorry to interrupt, but time is being of the essence here. Do you have any problem with that order giving direction to staff here that we hope to begin, I guess, with Comsoc as our first item on the agenda, with witnesses etc, and then second, we'll be dealing with the 407 in that order. The others we'll determine in subcommittee in terms of — finance, for instance, is going to be a timing thing, so we'll have to put that a bit later on down in the agenda etc. I think we'll be able to handle that and then report back to the committee as a whole in terms of the actual sequence over the next number of months and so forth.

**Mr Hastings:** The area of the training is one I agree with completely, and whether we're getting real value there. I'd like to suggest to the auditor that staff get reports of other countries, the Organization for Economic Co-operation and Development, as to how good our training is from other perspectives.

The independent health facilities — I'm wondering if you could include in a crossover in that where you have Comsoc institutions that have a health-related function in terms of the disadvantage, whether we're getting value there.

The third one is, could we get an inventory of the way property is disposed of by the various ministries and could we come up with some specific guidelines of how that's to be done? Down the list, months out from now into next year.

**The Vice-Chair:** We'll deal with that in committee and take your comments certainly.

*Interjection.*

**The Vice-Chair:** I think the subcommittee will decide that, because it's a bit too difficult in this setting to decide exactly, considering the number of witnesses and the time frame here. I think it would be better if we do it in subcommittee. That's my suggestion anyway.

**Mr Gilchrist:** I would agree, and I think the auditor, from the somewhat quizzical look on his face, has some

concerns about whether that information is perhaps already contained in there or whether this would be a new research project. Would that be a fair assessment?

**Mr Peters:** I think the best way probably to handle it is to ask the ministry to come up with what work they have done. It may be a line of questioning that the committee may want to pursue with them when the ministry comes before them.

On the second one, Mr Hastings, if I may just add, my office can under the Audit Act accept tasks from the committee under section 17, on resolution by the committee, so some of these additional concerns you might want to bring forward along those lines. I just want to alert you to that possibility when you raise the points you are raising.

**Mr Pouliot:** It might be of benefit to the point Mr Gilchrist raised vis-à-vis the 407 — it would be not only appropriate, but from my point of view desirable to have the expertise from the Ministry of Transportation and perhaps enlist Price Waterhouse in its overseeing capacity to keep the system on stream, because it's quite intricate, it's very, very interesting, and they could save us a lot of time and give us the right chronology and develop the team for us to answer pretty well every question.

**Mr Gilchrist:** I wonder if it's appropriate to suggest that Comsoc may need — rather than my assuming, ask Mr Peters what time period he thinks would be necessary to array the forces to deal with section 3.04 as the first item we've agreed to discuss. Could it be done by next week or would it be more appropriate to suggest two weeks from today?

**Mr Peters:** You see, the reports we have filed have been in the ministries' hands since about May or June, so I would not consider it an unusual hardship, but it would be advisable to advise them at the earliest opportunity. If the committee made the decision now, to advise them this afternoon would be appropriate. To wait any longer would not be fair to them.

**The Vice-Chair:** I guess we will try again for next week to get it started, and I think what's required then is for the subcommittee to meet probably early next week for a short period of time, but on the other hand, we're giving direction that we want to get started on the Comsoc for next Thursday.

**Clerk of the Committee (Ms Donna Bryce):** With the main subcommittee meeting this week, could people get organized this afternoon?

**The Vice-Chair:** Yes, I'm here this afternoon. Mr Pouliot, are you here this afternoon?

**Mr Pouliot:** There are only 16 of us.

**Mr Gilchrist:** In terms of next week, I don't think there's a need for the subcommittee to — if it's the agreement of all present today that we proceed, assuming Comsoc staff can make themselves available for next Thursday morning, then I would make that recommendation.

**The Vice-Chair:** Yes. We can start on that and get going.

**Mr Gilchrist:** Let's do that, and at some point next week we'll have the subcommittee meeting and be in a position to report on the rest of the sequence by the time we get to Thursday.



**Mr Peters:** May I raise just a brief procedural point? In the past, committees have found it fairly useful to meet in camera for about 20 minutes or half an hour ahead of time and to walk through my report, that I walk you through the report, in order to provide a little bit of background and to raise some questions that you may have of me or that you may be uncomfortable raising on the record.

**The Vice-Chair:** Perhaps we can do that by starting a half-hour earlier next Thursday.

**Mr Peters:** A half-hour earlier? I would use the first half-hour.

**Mr Gilchrist:** I think Mr Peters is saying take the first half-hour of the committee.

**The Vice-Chair:** Oh, okay.

**Mr Peters:** And invite the ministry to show up at 10:30.

**The Vice-Chair:** Okay. The first half-hour will be taken up with in camera discussion with the auditor.

*The committee adjourned at 1144.*



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### STANDING COMMITTEE ON PUBLIC ACCOUNTS

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\*Mr Toni Skarica (Wentworth North / -Nord PC)

*\*In attendance / présents*

#### **Substitutions present / Membres remplaçants présents:**

Mr Ted Arnott (Wellington PC) for Mr Boushy  
Mr David Ramsay (Timiskaming L) for Mr Kennedy

#### **Also taking part / Autres participants et participantes:**

Mr Erik Peters, Provincial Auditor

**Clerk / Greffière:** Ms Donna Bryce

**Staff / Personnel:** Ms Elaine Campbell, research officer, Legislative Research Service

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First Session, 36th Parliament

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Première session, 36<sup>e</sup> législature

# Official Report of Debates (Hansard)

Thursday 24 October 1996

# Journal des débats (Hansard)

Jeudi 24 octobre 1996

## Standing committee on public accounts

Annual report,  
Provincial Auditor, 1996

## Comité permanent des comptes publics

Rapport annuel 1996  
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## LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON  
PUBLIC ACCOUNTS

Thursday 24 October 1996

## ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

COMITÉ PERMANENT DES  
COMPTES PUBLICS

Jeudi 24 octobre 1996

*The committee met at 1029 in room 228, following a closed session.*

## 1996 ANNUAL REPORT, PROVINCIAL AUDITOR

MINISTRY OF  
COMMUNITY AND SOCIAL SERVICES

**The Vice-Chair (Mr Mike Colle):** Welcome to the standing committee on public accounts. I wonder if our witnesses could identify themselves, please.

**Ms Sandy Lang:** I will just take a moment and introduce the colleagues I brought with me today. My name is Sandy Lang. I'm Deputy Minister of Community and Social Services. I have with me today Kevin Costante, the assistant deputy minister responsible for social assistance programs; Mary Kardos-Burton, the director of our social assistance programs branch; and Barb Saunders, area manager for our Toronto area office.

**The Vice-Chair:** Would you like to give an opening presentation?

**Ms Lang:** Thank you, Mr Chair, I would. Good morning to the committee and to the Chair. I'd like to take a few minutes to provide some context for my remarks today and set the stage for a short overview of the initiatives introduced by the government in the last year, give you some insights into the major reforms that the government is contemplating in the social assistance system and update you on the action plans taken to date to address the issues raised by the Provincial Auditor in his report.

First let me confirm that as a ministry we are in total agreement with the recommendations of the auditor. We believe that the independent review provided through his office is a healthy process for us and leads to improvements in service and accountability. We have also indicated earlier, and we'll talk about it a bit more, that we have taken some of the necessary steps already to implement the recommendations contained in his report.

Let me outline some of the initiatives that have been introduced in the last year. To do that, though, I think it's important that the committee understand that in 1995 the province spent \$6.4 billion on social assistance. In the current fiscal year, social assistance spending is estimated at about \$5.6 billion, which represents a reduction of about 12.5%. This reduction, we believe, can be attributed to the government's initiatives towards reform in welfare. We also have an outline of the government's policy agenda to do some very significant fundamental reform of the social assistance system in the province.

I'd like to talk a little bit about some of the initiatives taken to date.

In August last year a number of changes were introduced to tighten eligibility and reduce fraud. For example, 16- and 17-year-olds who leave home must now meet enhanced conditions to receive welfare. If they don't meet these conditions, they do not get welfare.

We've also set up a province-wide fraud hotline. People can phone the hotline to report suspected cases of fraud.

A person living common-law can no longer collect welfare as a single parent.

Employable people who quit their jobs or who are fired with cause must now wait three months instead of one month before they can apply for welfare.

Last October, government also changed the social assistance base rates. The rates were reduced for some recipients to about 10% above the average of the other nine provinces. Rates for seniors and adults with disabilities were protected.

Another important factor in reducing cost has been Ontario's overall growth in jobs. Over the last 12 months Ontario's improving economy has created a net gain of approximately 99,000 jobs.

The combined effect of our improving economy and the changes I have outlined I think contribute to the decline in welfare caseloads in the last year.

Between June 1995 and September 1996 Ontario's welfare caseloads dropped from more than 678,000 to just over 584,000. That represents a 13.9% decrease.

However, I think it's fair to say that the government would like more to be done. We're preparing to move ahead with proposed fundamental reforms of the social assistance system.

Just to outline a few of those reforms for you, we are currently actively pursuing a technology and re-engineering contract to replace a very outmoded what's known as CIMS and MAIN, which is the computer system that currently supports the administration of social assistance in the province.

On the policy side, the government has stated very clearly their objective for social assistance reform to help as many people as possible get off welfare and into employment. For people with disabilities and seniors, it will mean moving them out of the welfare system and into an income support plan.

As you are aware, we're also implementing the Ontario Works program, which is being phased in community by community. The first phase includes 20 communities, and it is expected that the program will be implemented province-wide by 1998.

We are also introducing technology to support the Ontario Works implementations. The municipalities, we believe, will be benefiting from the use of technology in the implementation of Ontario Works.



The second part of the reform is related to moving people with disabilities and seniors off the welfare system. It is expected that people with disabilities and seniors will be better served under an income support plan by addressing their unique needs and improving their benefits.

As you are well aware, many people with disabilities can and do want to work. In fact, people with disabilities will be supported to participate in training and employment if they wish. We are currently working with staff in other key ministries to ensure that the range of supports and services are much more accessible and delivered as efficiently as possible.

Now to turn to the auditor's report.

The auditor reported, and I quote, "During the past two years, the ministry has undergone a major change in direction by introducing certain initiatives designed to strengthen the administration of the program."

The auditor also noted, "As a result of concerns noted in our 1992 report and a renewed emphasis on ensuring that only eligible individuals receive assistance and that the assistance is in the appropriate amount, the ministry introduced the 'enhanced verification' process in mid-1994."

I will describe this further in a moment, but I want to make the point that the ministry has responded in an active way to the 1992 report and continues to do so.

A primary observation in this year's auditor's report flowing from the audit of the family benefits program was that the ministry's administrative procedures require significant strengthening to ensure that the legislative requirements and program policies and procedures are complied with.

The auditor also found that the ministry should improve compliance with current procedures to ensure that the family benefits program is delivered with due regard for economy and efficiency.

Specifically, the auditor has informed us that the administration of the social assistance program needs strengthening in the following areas: staffing, case flow follow-up, identification and collection of overpayments, child support documentation re waivers, information sharing and fraud prevention and home repairs.

In response to the recommendations, we have implemented specific measures to address each of the areas identified.

On the subject of staffing the auditor recommended that the ministry establish and adhere to reasonable workload standards to enable case workers to perform their work more satisfactorily. We've been working to maintain the integrity of the program and our ability to manage caseloads.

Between 1989 and 1995 the ministry hired just over 1,000 new FBA staff. During that same period our caseloads increased by about 147,000. However, as I mentioned previously, new initiatives and an improving economy have reversed the trend towards ever-increasing caseloads. FBA caseloads have been decreasing over the last 12 months from a high of 331,000 to 314,000 in September. This represents a 17,000-case reduction, and in that period of time we have not reduced any staff as a result of those reductions.

While the ministry isn't considering increasing the number of staff, it is working to improve its technology and business processes as a means to assist staff with caseload management and service delivery. In addition, through the social assistance reform process future workload standards and service levels will be reviewed as we move towards the full implementation of social assistance reform.

On client case file follow-up the auditor recommended that income maintenance supervisors review a sample of case files to ensure case file standards are being met. In his report the auditor noted that many case files did not have adequate verification or documentation to establish initial or ongoing eligibility.

Our ministry already has in place what is known as the enhanced verification initiative, or EV for short. This initiative tightened eligibility requirements and included new and tougher standards for verification of information supporting eligibility. The EV process is a regular part of our day-to-day practices across the province. Our case workers are continuing to work through all files to ensure that the necessary information to document eligibility and entitlement criteria is included.

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In addition, in March this year we implemented a process to monitor and ensure compliance with ministry policies and procedures, including the enhanced verification process.

We have more than 50 staff deployed across the province to monitor these processes. The ministry has provided appropriate training, and a standardized monitoring guide is now in use. Ministry area offices are expected to produce action plans to address non-compliance and provide reports on their activities to our corporate offices.

In addition, I've made it quite explicit in my performance contracts with the ADMs that they must ensure integrity in the program management of this system to comply with the performance expectation.

Finally, income maintenance supervisors reviewing files to ensure appropriate follow-up and updating of case file information has been completed. The ministry has introduced training for our income maintenance supervisors which includes file review training on cases which are processed by income maintenance officers. Most income maintenance supervisors have now received this training, and the rest will be completed shortly.

Identification and collection of overpayments: From his review of overpayments, the auditor recommended that the ministry improve its overpayment recovery efforts in both active and inactive cases. The auditor also raised concerns about the limited amount of documentation on file regarding the reasons and circumstances of the overpayments.

The auditor also recommended that the ministry should be more diligent in its recovery of funds from other sources, such as subrogation of legal claims.

We recognize that the system needs to be fixed to address the long-standing problem of overpayments. I want to emphasize that we are taking steps to try to eliminate overpayments from occurring in the first place.



Overpayments due to error or fraud will be reduced through new technologies and changes to our administrative practices, which include better upfront detection and better reporting mechanisms for our clients.

The ministry has taken steps to improve practices such as updating client files and recording any changes on a regular basis. We will strengthen the requirements for staff for file documentation on overpayments.

We are looking at our current policies to see where improvements can be made to increase the efficiency and effectiveness of the debt collection process for recovering overpayments on active cases. For inactive cases, Management Board has also established a new process for the collection of overpayments. Our ministry is taking part in developing that new process.

It is our belief that the collection of overpayments from people who have left social assistance can be handled much more efficiently by experts in the field of debt collection.

**Child support and documentation of waivers:** The auditor raised a number of concerns about child support waivers. Specifically he was concerned that files with child or family support waivers did not contain enough documentation outlining the reasons for the waivers, nor were the waivers regularly reviewed.

Ministry policy allows a case worker to waive a recipient's obligation to pursue child support in special circumstances. Such cases would include a situation where the spouse might be incarcerated or where a spouse is likely to become physically violent if support is pursued.

The ministry has also provided training related to current policy and procedures to most staff who work in this area. This training will be completed early in the new year.

Furthermore, the need for periodic reviews of the decisions to waive support will be more clearly spelled out in our enhanced verification process.

**Information sharing and fraud prevention:** The Provincial Auditor recommended that the ministry be more proactive in identifying cases at high risk of fraud and that information sharing agreements with other jurisdictions should be completed. I believe the ministry has shown it is committed to reducing fraud in the social assistance system.

We believe, as does the Provincial Auditor, that we have a responsibility to ensure the integrity of the social assistance system. To this end we have taken a number of steps to further deter or eliminate fraud. I have referenced many of these earlier in my text. However, I'd like to describe a few more.

We have more than 130 eligibility review officers working for the ministry across the province and another 200 working for the municipalities whose sole function is to investigate and pursue fraudulent activity.

The ministry also has a welfare hotline and central fraud unit, which was announced in August 1995. For the period of August to September, the welfare fraud hotline received a total of 25,730 calls. Of these calls, 17,096 were fraud allegations.

The ministry will continue to aggressively pursue information-sharing agreements with the federal government and other provinces and other ministries.

We have recently signed agreements with Manitoba and with the federal government concerning the employment insurance program. In addition, we are working on 15 other information-sharing agreements. These agreements will enhance our efforts to verify eligibility for social assistance and to prevent double-dipping.

Two approaches to information sharing are contemplated. One is online access to individual third-party data and large-scale computerized tape matching with third parties.

While we're making significant progress, we're still phasing in a number of these additional agreements in the coming year, and that can be a fairly lengthy process, I might add. The exchange of personal information must be negotiated within the bounds of complex program and privacy legislation of both parties. Tape-matching activities require a formal assessment by the Information and Privacy Commissioner.

As well, differing levels and types of technology support must be considered when working out the method of information exchange. In particular, significant care must be taken to ensure that exchanges are conducted in a cost-effective and secure manner that protects individual privacy.

**The area of home repairs:** The last area I want to cover is the Provincial Auditor's recommendation that the administration clarify the terms used to define emergency home repairs to ensure costs for major repairs are reasonable and supported by invoices.

Emergency home repairs are allowed for under a long-standing policy that permits recipients who own their homes to complete emergency repairs. However, the auditor's report cited deficiencies in the way the policy was being carried out and gave examples of repairs being approved without proper documentation, in questionable situations, and of repair work not being inspected as required.

As recommended, my ministry is clarifying the terms "urgent emergency repairs" and "owned-occupied premises" to assist our field workers in making consistent decisions on these requests. When approving estimates or invoices on high-cost and complex repairs, staff will consider calling on specialized expertise to confirm the exact cost and the necessity of the repairs.

Finally, we will increase our monitoring of home repair payments to ensure that only emergency repairs are provided to recipients who own their own homes.

In closing, I want to express the ministry's appreciation for the work done by the Provincial Auditor in the family benefits area. We believe that the service we provide the people needing help in this province is of high standard. However, we recognize the need for continued improvement.

To this end, we will continue to work closely with our staff and with our colleagues in other ministries to provide the best service we can for those in need throughout the province.

Thank you. We would be very happy to answer questions.

**The Vice-Chair:** Thank you very much for your presentation. We'll begin 10 minutes per caucus with Mr Hastings.



**Mr John Hastings (Etobicoke-Rexdale):** Thank you for your presentation this morning. I have a couple of questions. I know other members of caucus have questions as well.

I get an impression that you're putting an awful lot of effort and resources into the back end of social assistance after the payments are out the door, in terms of fraud detection etc. I think all those are excellent moves.

I'm wondering, with respect to the early verification process, do you have sufficient safeguards in place as to the need to put so many resources at the back end of the operation to detect fraud and other abuses or lack of consistent policy application?

I understand there's something like 15 or 16 criteria needed in order to be eligible. Are there any absolute minimum essential criteria before you have the granting of any social assistance? For example, is it three or four or six, and is the social insurance number one of those before anybody is authorized to provide a social assistance package?

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My second question is related to the auditor's points over the years as to the information technology you're putting in place. For example, it's noted that disability payments are being made and people are getting social assistance simultaneously, from the 1992 report. I notice as well that the family support plan, with our reforms there, is looking at new technology. I'm wondering to what extent integrated technology is going on. Have you got networked, or is each system talking to itself? That could even relate it to Canada pension. If you're going to get all this stuff and getting overcollection, are we putting into place the right technologies today that are integrated?

**Ms Lang:** I'll give you some general responses and then I'll turn it over to Kevin to offer you some detail.

Just in terms of the criteria, the 14 or 16 I think you mentioned — it's actually 18 — with the enhanced verification process, we did attempt to put that in place in all new cases. The auditor was somewhat concerned about the fact that we hadn't managed to complete all of the cases that were already on the system, but every new case must go through the enhanced verification process. Certainly Kevin or Mary can elaborate on what's involved in that. I think they can also give you some specific response about your question on social insurance, because I'm not 100% sure.

Before I turn it over to them, I'd like to respond generally to the technology question as well. We are, in the province, very much trying to get our major information systems as a network and integrated. There is a great deal of work going on with Management Board and the ministries to look at how we might create an infrastructure across all government systems in the province.

In addition to that, we are engaged in designing the new information systems in a way that they can readily adapt to change. The problem we have with our current system, quite frankly, is that it's done in an old main-frame way and the programming is unbelievably complicated. It takes a lot of time and doesn't adapt to change. When you're dealing with human resource programs as we are, I think you need to have a system that is much more adaptable to change and able to accommodate the

varying needs of the policies or the regulatory shifts that come with various governments' policy agendas.

On the subject of the family support plan, we do now have that, antiquated, but none the less an attempted way to share information between the two systems, because we enjoy a significant sharing of caseload, and it's important that we share information as much as possible. As we design the new system for ourselves and as the family support plan is engaging in looking at its technology, we definitely are trying to make sure as much as is necessary for efficient administration that those information systems will be shared and that there will be a capacity within the confines of privacy to share information as much as possible.

I will turn it over to Kevin or Mary to give you more detail on the first part of your question.

**Mr Kevin Costante:** On the enhanced verification, the standards that we introduced in 1994 we believe are among the most stringent across the country. These standards are in addition to what a client must do in order to prove initial eligibility for the program, ie, they must prove they're in financial need and they must meet the eligibility criteria specified in the legislation, in the regulations.

Not every one of the 18 things must be in place before eligibility is granted. If somebody comes to us and can prove they're in financial need and they meet the eligibility but they have lost their social insurance number, we record that on file and the case worker then returns to it later to get it. If eventually that is not provided, then the case worker will take steps to find out why and whether there are some problems.

Obviously, we need enough on file to make sure that the person meets the initial eligibility. However, not every one of the 18 must be there. Eventually, we do want them all filled out. There can be some follow-up if certain pieces are missing for a good reason.

In terms of the technology, as the deputy said, we are in the process of putting out new technology. That's coming in several waves. We have over 60 offices where we've put new personal computers for case workers — it's called case worker technology — in place. We have also trained our workers on computerization, because they're essentially going from a paper environment into the new technology. The new software that we're using right now does computerize some of the current, very manual, time-consuming processes.

We are looking at an improvement in that software in the coming years that would allow us to have good support for the new programs the deputy described in her opening remarks that the government is committed to in terms of the reform of welfare, but would also provide us with a technology platform or a base where we can, as much as possible, have information from other sources readily available to the case workers. Instead of having to phone the employment insurance office or phone the Canada pension office, we're hoping that we would have electronic linkages with those offices so the case worker could determine right up front whether the person is getting unemployment insurance or not. If they are and it's at a certain level, then they won't get any assistance, as opposed to putting them on and finding out later that



they're getting unemployment insurance and then doing overpayments. Our efforts there will very much be to try to make the right and proper determination up front, as opposed to dealing with the problems later.

**Mr Steve Gilchrist (Scarborough East):** One hardly knows where to start. But, in fairness, Ms Lang, I'd like to think all of us appreciate the sheer size of your ministry. It perhaps mitigates against the same degree of discipline that one might find in other, smaller organizations.

I'd like to follow up on something Mr Hastings said there about investing at the front end instead of the back end. I must admit, coming from the private sector, I'm absolutely flabbergasted that we would have failed to identify at the very outset that this is something being done as a benefit to these recipients. For them to fall back on any kind of concept of privacy, given that this is, really, largess from the other taxpayers, is something I find quite incredible.

Why on earth would we not put in place some kind of a waiver that you sign when you first come in and ask for benefits in the context of sharing, not with the world at large but with other arms of the same government? It absolutely astounds me that there would be any kind of a roadblock with our sharing with other ministries and with the federal government and, in the limited case, I guess, even with municipal governments.

This is not their money, this is the taxpayers' money. I think we have every right to be protected against the sort of abuses Mr Costante just identified. If somebody's already on UIC, there shouldn't be a roadblock for us to be able to verify that immediately. If it's a simple matter of designing a waiver that they say you have a right to consult with all other arms of government, then that strikes me as a very simple thing to do. I can't believe that any person who is honestly in need would have a concern with that because, again, if they're honestly in need, they're not claiming UIC and they're not claiming benefits from some other area and trying to get this.

Hand in hand with that, why also would we not have put in place within our own government the mechanisms already, based on the 1992 report, to ensure that there is just no chance that you could still collect while you're in a penal institution, for example? We heard all sorts of horror stories from the Solicitor General during one of our meetings last year on the previous auditor's report that there are any number of people in prisons right now who are still collecting welfare assistance. I genuinely can't understand how we could countenance that sort of glaring —

**The Vice-Chair:** Mr Gilchrist, your time is up. The member's time is up. You'll have a chance to respond to that in the go-round, Mr Costante.

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**Mr Bruce Crozier (Essex South):** Good morning. You mentioned in your remarks, and we have a copy of a news release last August, that the 1-800 hotline was set up, and you said there have been some 25,000 calls, of which close to 17,000 were legitimate. What range of calls were the other 8,000 of that?

**Mr Costante:** Some of the other calls may have been about other income security programs such as unemploy-

ment insurance or Canada pension. Also there are a fair number of crank calls or calls where the person is calling and we search the database and we don't have anybody by that name on the database. There's a whole host of reasons why they wouldn't get forwarded.

**Mr Crozier:** So that 8,000 would include, as you say, the crank calls or people who just simply weren't on your database. Of the 17,000 — I think you used the word "allegations" — how many of those have you had the opportunity to follow up and what percentage have been legitimate give you some lead to a problem?

**Mr Costante:** Once we get a call, of those 17,000, they are then referred out to our offices, both the provincial and municipal welfare offices, to do an investigation, and then they will follow through from there.

We are going to be releasing a report later that we're in the process of putting together that will report on the follow-up from the fraud hotline, so we don't have those statistics here with us today. But we'll be releasing a report later in the fall that talks about the follow-up and outcomes from that follow-up.

**Mr Crozier:** So after a year, at least as of today, October 24, we don't know how effective it has been?

**Mr Costante:** Yes. As I said, we're putting together that information now and we'll be releasing it later this fall.

**Mr Crozier:** Would you care to give us kind of a gut feeling? Has it been effective? Has it been worthwhile? Has it been cost-effective?

**Mr Costante:** I would prefer to not speculate in front of the committee. I don't think that's fair or appropriate for a public servant, so I prefer that we release the report.

**Mr Crozier:** When will the report be out?

**Mr Costante:** Later this fall.

**Mr Crozier:** Before Christmas?

**Mr Costante:** That's the intention, yes.

**Mr Crozier:** I don't know who it would be released to, but I would like to be assured that this committee receives a copy of that report.

**Mr Costante:** We can arrange that.

**Mr Crozier:** Thank you. When it comes to that same news release where 16- and 17-year-olds who leave home must meet new conditions to receive welfare, could you give us some idea of how many 16- and 17-year-olds there were before this initiative was taken and how many there have been since that time? In other words, do you feel it has resulted in a reduction in the number of 16- and 17-year-olds who leave home?

**Ms Lang:** I'm going to refer that question to Mary Kardos-Burton, if I could.

**Ms Mary Kardos-Burton:** I don't have the exact figures with me right here, but there was a reduction of around 2,000 16- and 17-year-olds after the policy was introduced.

**Mr Crozier:** How many were there to begin with?

**Ms Kardos-Burton:** Six thousand.

**Mr Crozier:** So a third?

**Ms Kardos-Burton:** Yes, roughly.

**Mr Crozier:** I want to just for a moment go to the collection, as it was referred to in your remarks, the identification and collection of overpayments. I understand that you can collect from those who are receiving



assistance because you simply reduce their cheque. When we go to those who are no longer receiving it, it's being suggested that you were turning it over to — I think the term was "the professionals"?

**Ms Lang:** Yes.

**Mr Crozier:** How much do you have to pay them to collect \$1?

**Ms Lang:** I'll ask Kevin to take that question.

**Mr Costante:** We're currently in the process of working with our colleagues in Management Board who have government-wide responsibility for collections. The intention is that we will be, in conjunction with them, issuing an RFP to get the best price possible and the appropriate procedures around collecting overpayments from inactive clients. I don't think we can give you a figure here today because we don't have a current contract in place.

**Mr Crozier:** When did this initiative begin then? When did you identify that this was the way you were going to go?

**Mr Costante:** I believe we talked about this starting in April. We've been working with Management Board.

**Mr Crozier:** So we've been five or six months. We don't yet know who is going to do it, we don't yet know how much it's going to cost and we don't yet know how effective it will be?

**Mr Costante:** That's correct.

**Ms Lang:** If I could just comment on that, Mr Crozier, Management Board currently has a unit that does overpayment collections now, and they do employ staff to do that. The plan is to consolidate all of the government's need for collection and do an RFP out to the private sector and determine if we can get a better deal. So it's not that we're ignoring overpayments; it's just that we're looking at moving from the current structure to a new process for overpayment collection.

**Mr Crozier:** To what extent, if you would like to comment, would the problem with collection be, for those who are no longer on social assistance, that they simply can't afford to pay it back? I'm not doubting that they owe it to anybody and there's a certain obligation there, but maybe they've moved off social assistance to a job where there isn't any extra money, albeit they may owe it to the government. Do you have any sense of what the problem is there?

**Mr Costante:** There's no question that's a problem. I think our normal practice in this area is to arrange payment over a period of time so that the government can, even if it's a small amount, eventually recoup the amount of the overpayment. I think we have in the past and will likely continue under any contractual arrangement to be flexible in terms of getting it back, as long as there's a commitment eventually on the part of the former client to repay the government.

**Mr Crozier:** I just thought you might have some idea. If you feel you haven't been successful as a non-professional, do you have a sense of why a professional would be more successful?

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**Mr Costante:** I think the reasons there would rest around the fact that they would have people who work in this all the time, who have knowledge of certain informa-

tion sources where they could perhaps track down people who don't want to be found in order to make the repayment. It's those sorts of things that they are doing. They may have sophisticated computer systems that have BFs that remind people to go back and check with this person who has promised to make payments. I think the overall piece is that they are professionals, this is their business, and they have the proper supports and technology to do it, whereas we don't.

**Mr Crozier:** My experience has been — and not from being a debtor. I should point that out, because I doubt that anyone around this table has had a collection agency attempt to collect from them. But I caution, notwithstanding Mr Gilchrist's feeling that anyone who is on social assistance should waive rights that we have as citizens in a democratic society, that collection agencies can be brutal. They can be offensive. They can work illegally. They can be intrusive. They can hound you.

I think we have to be very careful in the selection of a private collection agency because, after all, we're told, they won't get paid unless they collect a buck. So they won't work for nothing. I think we have to be very careful in the agency that we select that we monitor them and that they are effective but humane in the way they go about it. I really hope we do that, because just because you're in an unfortunate economic situation doesn't mean you need to give up your civil rights.

**Mr Gilles Pouliot (Lake Nipigon):** I too wish to convey by way of good morning your presence and your diligence not only today but certainly over the years with the resources that you have. Your diligence certainly has not gone unnoticed. Quite the contrary.

I wish to pursue the last comment from my distinguished colleague Mr Crozier because I too am intrigued. While you acquiesce, while you don't deny that the people in terms of collection, overpayments, money that should be coming back to the state, are doing the best they can, people that work under your jurisdiction, your capacity, perhaps by nature of the client, have a 13% or thereabouts success rate in going out there and getting the taxpayers' money back by way of overpayment or in some cases fraud.

I'm not so much concerned about when you make the transition, if you go to the private sector, about the methodology; hence my connection with my colleague. But I'm concerned about the method, about the enforcement aspect of it, about the tactics, the motivator being that when you go and extract the very last penny, and I'm not catastrophizing — that's true. When your clients are the most vulnerable, the people who can least defend themselves, quite often the people who don't have a voice, and when Miss Jones at 74 years old or 64, by way of an overpayment gets every small stick of furniture in her cubicle taken away by the jackals, I draw the line, because your responsibility is that of a human dimension. So I will echo the sentiment in terms of I'm not so sure that all good deeds by virtue of being free enterprise do it better.

I want to ask you in terms of the snitch line, the rat line, where one is invited under the auspices, the convenience, of anonymity to go after the neighbour. You've had 25,700 and some; allegations, 17,000. You're preparing



your report so you can't say now. How many of them have been prosecuted to your knowledge?

**Mr Costante:** Sorry. We'll also be reporting on that in the report, obviously.

**Mr Pouliot:** So we have a committee here and you plead the fifth. We speak to you with candour, sir. I think, with high respect, you have an obligation. It's not good enough for me. Put yourself in my shoes. I ask a question. It's legitimate and I want this noted in the record and you say, "Well, I can't answer you because the report's coming out." Maybe we should call you back when the report is out. What is it I missed, sir? Why don't you want to answer me?

**Ms Lang:** I think, Mr Pouliot, if I could answer that question, part of the difficulty in giving you the information is that we are still going through the process of analysing the data. As part of the introduction of the fraud hotline last year there was also the creation of an information collection system so we could in fact determine, as you've asked, what has happened and what is the effectiveness of the system. We are in the throes now of trying to pull that information together, doing the analysis and making available for release a report that outlines the impact and the effectiveness of the hotline. It's not something we have available to us today.

**Mr Pouliot:** Fair. With the Ontario jobs program, that great initiative, how many jobs, do you know, have been created?

**The Vice-Chair:** Ontario Works, I think.

**Mr Pouliot:** I'm sorry. That's right.

**Ms Lang:** The Ontario Works program isn't subject to the discussion of the audit today. But just on the introduction of the Ontario Works program, we are now in the throes of implementing it in 20 communities across the province.

The program is designed not only to facilitate people getting into jobs but also to assist people with the skills they need to get jobs. I'm not sure we could indicate that it is totally a job creation program.

**Mr Pouliot:** How many jobs? Is it 5,000? Is it 50,000? Is it 500? Could you take a chance with me?

**Ms Lang:** The only thing I can share with you at the moment is, as I indicated in my comments, that over the last year we have seen 99,000 new jobs in the province. What the creation of those jobs can be attributed to I think is for others to answer, not for me to answer.

**Mr Pouliot:** Over the last month we have seen a net loss of 35,000 jobs, and October does not promise to be better. Personal bankruptcies are at an all-time high, in spite of the so-called — it's not for you to say, but somebody had promised 725,000 jobs. I guess it's tales of Houdini.

In terms of the workload, and your budget will attest to this, the foot soldiers, the front-liners, people of the first brigade, case workers — we're asking more and more in terms of vigilance, in terms of screening, and we give them more cases. I don't know what the morale is like. Do people burn out? Do you feel that there is sufficient staff to address the additional requirements?

**Ms Lang:** As I indicated, we have had an additional 1,000 staff introduced into the program over the last several years, but we have also had the problem of the

caseloads increasing. But we do see caseloads going down now, which has provided some relief. As we travel the province and talk with our staff, they are feeling somewhat relieved by that, but they are also excited by the training and the introduction of technology.

I think if you talk to many of the front-line workers who have had the benefit of the technology now, they are saying they're feeling somewhat relieved by the tools being available to them. I would say that on the whole it's feeling better. I'm not wanting, in any way, shape or form, to suggest that they're not feeling still quite overworked, and we're doing everything we can, within the resources available to us, to support them and help them in their work.

**Mr Pouliot:** I'm sure that some of them, with respect, will wish to share their excitement tomorrow, on this October 25. It all ties in. In terms of expenditure, when you hand out the pink slip — no one wishes to do this — how far are you in your staff reductions? How many more people will go out the door out of your overall staff, will be told, "We no longer need you because Big Brother has decreed that you're out the door"? How many more pink slips will you issue, Madam Deputy Minister, in the coming fiscal year?

**Ms Lang:** As I indicated earlier, we have not reduced any staff in this program. The staff reductions the ministry is contemplating at the moment, as announced last spring, relate to staff who are relieved of their duties as the result of our closing institutions for the developmentally handicapped, which continues to be a long-standing policy of many governments in this province. That is the extent of our staff reductions in the ministry.

**Mr Pouliot:** You've noted the 12.5% reduction in the budget, from \$6.4 billion to \$5.6 billion, and a 13.9% caseload reduction. Obviously, by my line of questioning, I know so little about these; there are only 16 of us and we too have several committees and a lot of work to do. When you look at the EI, UI, restrictions, they're focusing more and more and the eligibility criteria are more difficult to fulfil, and I read the disability provision under the CPP too is coming under more intense scrutiny.

This is not trading on the mercantile market, this is not the overnight Asian market. There's a human dimension, and you've addressed it quite well. It's real people. Do you see that 50% of the existing numbers we have now are there to stay? Do you see that 60%, 70% are there to stay? Is it 80% that some would call hard core?

**The Vice-Chair:** Your time is up, Mr Pouliot. You can come back to that in your next go-round. Mr Gilchrist, you had the floor when I interrupted.

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**Mr Gilchrist:** To finish off my question, Mr Crozier would try and mislead you into believing that somehow this is an assault on civil rights. I trust he is not defending the groups such as the ones the auditor pointed out, 149 Ontario residents eligible to receive assistance in this province who were also claiming in Quebec and therefore scammed one or the other government of \$700,000; or the fact that \$213 million is outstanding from former recipients, claimed only when the recipient has failed to report changes in personal or family circumstances, not ministry errors. They were written off to the tune of \$30



million in the last four years alone and another \$142 million outstanding — \$213 million from people who defrauded this government.

In that context, why would we not have in place a waiver from day one that allows us to access any other database you deem necessary, at any level of government, to ensure the integrity of the system?

**Ms Lang:** I'm going to ask Kevin to take that question for you.

**Mr Costante:** First of all, in the legislative environment we work under, we have a piece of legislation that's several decades old, and it doesn't give us the authority to have completely flexible information-sharing. What we do have is a waiver that clients sign when they come on that allows us to investigate individual clients. For example, it does not give us the authority, nor does our legislation give us the authority, to do a tape match with Quebec, where we take all 600,000 people on the Ontario social assistance system and compare them with all however many hundred thousand on the Quebec social assistance system. That requires, under our Freedom of Information and Protection of Privacy Act, that we have an information-sharing agreement, which is what we've pursued. Quebec itself also has its own privacy legislation. When you structure these deals, you have to make sure that you're satisfying both privacy laws.

Obviously, as we move forward to new legislation to enable the government's welfare reform act, we'll be looking at enhanced authorities within our own act, new acts that would allow us to do this in a much simpler way.

**Mr Gilchrist:** My concern is less with the sharing in other jurisdictions. It's far more likely, I submit to you, that someone will be misleading another arm of the Ontario government. Sheer geography would dictate that if most of the people live in the Golden Horseshoe here, we're some distance from Quebec or Manitoba. My concern is more within the Ontario government.

I don't mean to sound combative, but every person I ever hired signed in their application form a waiver that allowed me to research everything they claimed in the context of their application. These people are claiming things in the context of their application for benefits. They're telling you, for example, that they're unemployed. They're telling you that they're not getting UI. They are telling you a number of things. They're telling you that they either own or rent. I really find it incredible that under contract law they have signed a contract with the Ontario government and in the course of that they absolutely have the right — if you want to call it a right; I even contest that choice of word — that they have that as a matter of their right under contract law. I would submit that you probably could within Ontario demand and be free from any kind of restrictions under any kind of privacy laws, as a matter of contract law, that undertaking from a potential recipient.

**Mr Costante:** I agree with you. As I said, we do have them sign a waiver now that allows us on a case-by-case basis to do this. However, when you're talking about this number of cases — and there are so many different places where you need to check: workers' compensation; the corrections system was a good example; the Ministry

of Transportation, if you're trying to find somebody who owes child support, for example; if you need a birth certificate to prove a person's age, you will want to contact the registrar general's office. Our case workers are enabled to do that now with the waiver, but it has to be done on a very manual, intensive, one-on-one basis. What we're trying to do is move this to a more electronic means so that we can cope with the volume and the complexity of what we're dealing with.

**Mr Gilchrist:** I would agree with that direction. Just as a final submission on that point, I would disagree with you that it couldn't be done electronically today. If every single person on the database had signed such a waiver, obviously the entire database can be deemed to have signed that waiver, but we're not there.

The only other thing I want to say, because I know Mr Beaubien has a question as well, is that in the context of protecting ourselves at the front end, before someone starts receiving the benefits, 41% of the files reviewed for newly granted recipients were missing at least one piece of necessary information and 85% of the files — 85% — for ongoing recipients lacked at least one piece of necessary information.

My English class was a long time ago, but "necessary" to me would presuppose that you don't get something unless you've supplied that. I was most astounded when you used the example of a SIN number. I can't believe that there is any more central way of us tracking people than the only number that all Canadians possess. I'm astounded that, particularly using that example, we wouldn't send people immediately to go to the federal office and apply for a new one or whatever it takes, or go home and search their drawers again more carefully.

To have something revealed that 85% of your files are missing necessary information — I did not hear anything, Ms Lang, in your opening statement about how you've dealt with these sorts of observations in the auditor's report and what steps have been taken to guarantee that by the next go-round we're going to see a number infinitely smaller than that as being the defect rate in your files.

**Ms Lang:** I did indicate that we have in fact introduced some expectations of our supervisors to do case file audits to make sure they do contain the right information. The enhanced verification process is intended to make sure that there are necessary documents on file, and we have been doing training with our staff to ensure they understand the requirements for the case file.

In addition to that, we have program review officers who spend a significant amount of time ensuring that the case files are up to speed and the documentation is there. It doesn't mean we don't have more work to do. I wouldn't say we don't; we do. The staff is working very hard to ensure that there is integrity in the system, but those things are being attended to now.

**Mr Gilchrist:** What particular steps were taken in those two offices that had clearly disregarded whatever previous instructions you'd sent out? "Noted: that two of the local offices were not even scheduling enhanced verification for ongoing files, as required, and two local offices" — I'm going to assume the same two local offices — "were not using questionnaires as required."



Are there disciplinary notes in the files of the managers in those offices? Have extra steps been taken to retrain and augment the training in those offices?

**Ms Lang:** I will ask Mary Kardos-Burton to take that question.

1130

**Ms Kardos-Burton:** In the local offices where they had some additional requirements that needed to be met, there were action plans that were determined, and some of the things in those action plans were in fact a retraining of the staff in the guidelines. There were also memoranda sent out from the area managers, and I guess the one important thing is that it was raised at the area manager and at the senior levels in the local offices. Individuals, through the training, were spoken to in terms of, "Were there things that weren't understood?" But overall the key is the training and the reminders that were sent to the staff in the local offices.

**The Vice-Chair:** Mr Crozier, you have 10 minutes.

**Mr Crozier:** I wanted to explain — I'll do that quickly and go on. Certainly I think any fraud should be rigorously pursued and every attempt made to prevent it in the first place. I feel the same way when it comes to large corporations; I feel the same way when it comes to small business, and that's in another part of the auditor's report where taxes are not being collected; I feel the same way with individuals.

But I think the assistant deputy minister hit the nail on the head. We do have to abide by the law, and if someone signs a waiver — certainly I'm not a lawyer, so I would suggest that if I signed it under what might be considered duress, I don't think it's fair to an individual to sign anything like that unless they absolutely know their legal rights. That really is my point, that I don't think we should get people in a situation where they're uninformed, where they're in need, and we get them to do something that may be in fact outside the law, but unfortunately the only way we'll find that out is if they realize it and are able to have access to a lawyer to defend them. That's my point. We must take every attempt to act within the law and every citizen, be they business or an individual, must be protected by that law, but fraud has to be pursued at all levels.

Earlier it was mentioned about the increase in case workers in the ministry. I think it was mentioned that you'd hired an extra 1,000 people. But I'd like to know, was there any net increase or decrease in these case workers? For example, what were the number of workers compared to the number of welfare cases and how has that moved over the last few years?

**Ms Lang:** I don't know if we have that data available. I'll ask Mary if she has that data available with her today.

**Ms Kardos-Burton:** What we have today is a breakdown in terms of our current ratio in terms of the staff who are working in certain functions. We have 825 income maintenance officers. We have parental support workers. We have eligibility review officers. We have indirect staff also working on the programs, such as program review officers, income maintenance supervisors, direct service managers, income maintenance program supervisors, trainers, and support and clerical staff.

When we did the hiring between 1991 and 1994 for the staff, there were different objectives for each of the hiring practices that took place and there were groups of staff. For example, the hiring that we did in 1992-93, the objective was implementing the cost containment measures, and the later one was to improve the caseload examinations and program integrity.

That's intended to just give you some sense of our breakdown in staff in the ministry as well as some sense of what the previous hiring attempted to address.

**Ms Barb Saunders:** I have some of the figures in terms of the growth from 1993 forward, and there has been an increase. We began in 1993 with about 737 income maintenance officers. For 1996-97, as Mary said, we're at about 850. So that's an increase of about 113 income maintenance officers, and there have been corresponding increases in the other positions as well.

**Mr Crozier:** So, very simply, we have 1,000 more people on staff to do this work. Is that correct, or is that how many you hired as compared to how many may have left? When the comment was made about hiring an extra 1,000 case workers, are those 1,000 still there?

**Ms Saunders:** Throughout the years we have had constraints within the ministry in our direct operating expenditures. They have been applied to various positions differentially across the area offices, based on their size and how they're organized. So although there have been increases in staff and we still are ahead of the game, there have been some reductions as well to manage within our operating expenditures.

**Mr Crozier:** So what's the net difference?

**Ms Lang:** I think we would have to go back and do those numbers for you. I don't know that we would have those data here today. What I think you're asking, if I understand the nature of the question, is whether there is a net increase in staff since we started the hiring process.

**Mr Crozier:** Exactly.

**Ms Lang:** I think I need to go back and do the data analysis and provide that.

**Mr Crozier:** Okay. If I could give my impression, and then you can comment on it, it would seem to me that throughout the auditor's report there seems to be a concern that there isn't the staff to carry out properly the mandate of the ministry to protect against fraud, to give enhanced verification. One comment on page 4 of the research paper is: "Information provided at local offices visited indicated that only 39% of the 40,000 files for ongoing cases that should have had reviews had received them."

I think somehow we should determine if there's a payback in all of this. In other words, if we have to have more resources that are going to cost us more money up front, are we then going to save by being more vigilant? Are we then going to reduce our expenditures in the future? Do you have any comment with respect to that view?

**Ms Lang:** I think certainly the efforts in previous administrations to increase the staffing did have those objectives in mind. What we were not able to manage at that point in time, however, was the increase in caseload. So the effort to invest in staff to take on specific functions to address fraud or to address integrity in program



management or to do the case management work that you're describing was mitigated by the growth in caseload. So I don't know that we've had success in those experiments.

It would be our hope that with the declining caseload and with our introduction of increased technology and the enhanced training that we're providing our staff, we might see some true benefits, which is why I think we're indicating that once we do the social assistance reform and we look at the new design of the programs and the benefit of technology, we'll then go back and take a look at what are appropriate caseload standards given the new expectations of the welfare program. Until those steps are completed, I'm not sure we're in a position to really comment specifically on your question and speculate on what might work best.

**Mr Crozier:** Probably one of the most difficult things to pin down, and I'll preface my remarks by saying it's probably the most difficult, and you can comment on it if you like: As a benchmark for what you feel should be done to prevent it and/or go into the field and detect it, what percentage would you speculate there is in the system that's fraudulent? I've tried to give you all the leeway I can.

**Ms Lang:** Yes, I know you have, and I appreciate that, because I'm going to take it, absolutely. I must admit that better minds than I have attempted to tackle that question, and I don't have the benefit of any more knowledge than they had to be able to give you a reasonable answer. I don't think there is a reasonable answer.

1140

**The Vice-Chair:** We can pursue that next Thursday perhaps. Mr Pouliot, you have 10 minutes.

**Mr Pouliot:** How many employees does your ministry have now, approximately?

**Ms Lang:** I think we are probably somewhere just over 8,000.

**Mr Pouliot:** Just slightly over 8,000? Thank you. How many employees last year at this time, approximately?

**Ms Lang:** I think somewhere in the order of 8,500.

**Mr Pouliot:** How many employees next year at this time, approximately?

**Ms Lang:** If we pursue the directions we're talking about, we would probably have just under 8,000.

**Mr Pouliot:** Thank you. Perhaps it comes easily, with respect, Madam, but you're very, very positive and hopeful by nature. You probably have some merit in this. You see, the sun rises every day. You've mentioned the decreased workload. I'm going to quote from what Mr Peters and his staff have prepared for us.

It says that in 1992 — we're talking about staffing — "a caseload standard of 275 recipients per case worker. The study also observed that for every case above 275, progressively more functions would go undone, to a point where, with a caseload of more than 375, only 25% of the critical functions could be completed." This is as recent as 1992, so there's a degree of relevancy.

"During the 1995-96 fiscal year, the ministry had approximately 850 case workers who administered over 328,000 family benefits files, or an average of 385...." Let's keep in mind the 275. It's a given, a threshold. But here we're talking about, 1995-96 fiscal year, 385 files

per case worker. "For the local offices we visited, average caseloads per worker ranged from 307 to 471. This is significantly higher" — he says that; he's right — "than the ministry's standard and the average of 320 files per case worker reported in our 1992 audit."

In the recommendation he goes further and he says, "In light of changing program requirements, the ministry should establish and adhere to reasonable workload standards to enable case workers to perform their work...."

You seem to embrace, to endorse, a different line of thought. You're very confident about the future and you've talked, and I can quote verbatim, of a "reduced workload," but this is in the face of what the Provincial Auditor has found. If he was to say, "Madam, just the facts," how would you reconcile your comments and the findings of the Provincial Auditor?

**Ms Lang:** I think I would have to indicate that the 275-to-1 ratio that was established, and I believe it was in the late 1980s that this ratio was the result of a study, was at a point in time when we did not have a significant number of other functions being performed by other staff in the social assistance program area. So I think it's quite fair for us to indicate that we need to revisit, once we have completed the policy work and changed the nature of the program delivery for social assistance, and review what might be an appropriate workload requirement for workers, particularly in light of the introduction of technology. Much of the workload has been relieved by virtue of technology.

It's an important comment to make that we are confident that we can move towards much more efficient and effective delivery with the introduction of technology and with changing some of the functions that front-line workers may have performed at the point in time when that particular study was completed.

**The Vice-Chair:** You've got more time. You've got actually four more minutes.

**Mr Pouliot:** Thank you kindly, Chair.

Madame, I need your help in this. Trying to keep off the headline, many were never — we're never immune. We're all on a waiting list of sorts, whether it's the health waiting list, and we depend on the brothers and sisters, the community, the human dimension. I never wished to be a client in the system, but by virtue of only good fortune, or by virtue of bad fortune if you're a recipient, human frailties, which again, we all possess in some abundance, although our qualities might be legion.

In a broadly summarized way, and I do it by way of a question, how many people have been in this circumstance for more than four years, percentagewise? Again, grosso modo will suffice. Is it so many per cent have been one step in, one step out, they need a gentle, generous hand from time to time, and how many of them keep coming back because really there's no place else to go and you're the court of last resort?

**Ms Lang:** I think I'll try to give you some general responses, and there may be some specific numbers that Mary can provide for you, but in a general way, my answer would have to be that it depends on the nature of the individual circumstance.



For example, on our caseload where we are dealing with individuals with disabilities, if a person happens to be developmentally handicapped, it is quite conceivable that that person could be receiving benefits for a significant number of years, perhaps even a lifetime. If an individual is a sole-support parent, then they may be on the system for a period of time to deal with their unique circumstances. I think we know the average number of years, that sort of thing. In some circumstances, particularly on the general welfare side of the social assistance system, many people come on for two or three months. So it depends quite significantly on the circumstances, but I think Mary would be able to offer you some information on the average length of stay on the system depending on the nature of the caseload.

**Ms Kardos-Burton:** For the more temporary caseload, which is the general welfare assistance program run by the municipalities, as of March 1996, the average length that a person was on general welfare was 17.6 months, which translates into a year and a bit. In terms of the FBA program, which the deputy minister spoke about, the longer-term program, 65 months was the average length of stay, so that in fact is around four-plus years, so it's longer.

**Mr Pouliot:** Thank you. Just one last one. If I don't express my comments in a meticulous fashion, will you be a good Samaritan, because I make mistakes — it's not easy, and I have to be careful, given the sensitivity of these subject matters, but only in this context. I see that the people — I came here to learn English, Madame, so as sort of an immigrant, one could say, in a different context.

I see that the demographics, the people I see, the people who pay us the compliment of their visit on a permanent basis — you are right. It's what made the country great. We have an aging population, so it's a happy balance, it's a necessary equilibrium with immigrants. You immigrate when you're young, and when you're young you have chances of having children etc, and Ontario takes in roughly — don't quote me — 59% or 60% of our guests who become Canadian citizens.

Are there some figures? Am I likely, if I'm a second-generation Canadian, third-generation Canadian — if I have a support system when I come here, what are my chances of ending up as a client of yours? Is it more likely if I'm from this age to this age, what my background is? If I'm of a different background, what are my chances of ending up on welfare?

**The Vice-Chair:** I think we've —

**Mr Pouliot:** No, no, no. There's a method here.

**The Vice-Chair:** You've had your time, but next Thursday you will be able to get an answer, so you will anxiously await that answer next Thursday. I'm sorry.

**Mr Pouliot:** Manuel Benevides is outside, sir, and he wants the answer.

**The Vice-Chair:** We'll have to wait till Thursday.

**Mr Marcel Beaubien (Lambton):** I'll pose a very brief question, hoping to get a very long answer. With regard to the information sharing in the auditor's report, it points out that the occurrence of sharing information is very infrequent, and as a result, there were no ongoing

controls to ensure that all recipients were disclosing complete and accurate information and, for example, were not collecting other benefits such as unemployment insurance, workers' compensation benefits and other social assistance in other jurisdictions.

My concern is I don't think that the Provincial Auditor has touched — I'm sure my friend Mr Crozier is going to be sensitive to that as a former insurance broker — I think the fraud and the piggyback riding of benefits under section B of the auto policy, the accident benefits, and the welfare is rampant, and I don't think it's addressing the auditor's report, and I don't think the ministry has addressed that in the past.

Do you have any contact with private insurance carriers in Ontario? Because if you look at the record in the past five years, the benefits paid under section B of the auto policy have skyrocketed, and there's a reason for that.

**Ms Lang:** I'm actually just trying to sort out who I'm going to direct this question to.

**The Vice-Chair:** Mr Peters would just like to make a quick interjection here while you're deciding.

**Mr Erik Peters:** Mr Beaubien, we dealt with part of this issue at least on page 61 where we dealt with the subrogation of outstanding legal claims. These are actually insurance claims that we're talking about, just for the record.

**Mr Costante:** I'll just add to what the auditor said. We do try to deal with this on a one-on-one basis. We don't have information sharing of an automated nature with private insurance. When the case worker enrolls somebody into welfare or family benefits, that is one of the questions that is asked, are they getting some sort of insurance payments, so we do try to uncover that information.

**The Vice-Chair:** Mr Beaubien, if I could interrupt — you will be back next Thursday — because I have to get into the report of the subcommittee.

**Mr Gilchrist:** Was it circulated?

**The Vice-Chair:** Yes, it has been circulated.

I should mention, thank you very much, you've been very helpful. We would like you to come back next Thursday if you could. I think there are a number of other questions that we have. You can leave now. We're just going to report. Thank you very much.

## SUBCOMMITTEE REPORT

**The Vice-Chair:** I have the report of the subcommittee for the standing committee on public accounts:

"Your subcommittee met on October 22, 1996, and agreed to a schedule for the committee's review of certain sections of the 1996 Annual Report of the Provincial Auditor from October 24 to December 12, 1996. As required, the subcommittee will meet to revise this schedule, and to schedule other sections of the auditor's report for review after December."

Here is the schedule the subcommittee agreed to:

"October 24, section 3.04, provincial allowances and benefits program; October 31, section 3.04, provincial allowances and benefits program; November 7, section 3.05, supportive services; November 21, section 3.18,



Highway 407 central project; November 28, section 3.07, colleges of applied arts and technology; December 5, section 3.08, Ontario Training and Adjustment Board; December 12, section 3.09, environment standards and sciences divisions; chapter 4.00, section 3.06, water and sewage treatment facilities.

"Meetings will begin with a half-hour in camera briefing by the research officer and the Provincial Auditor

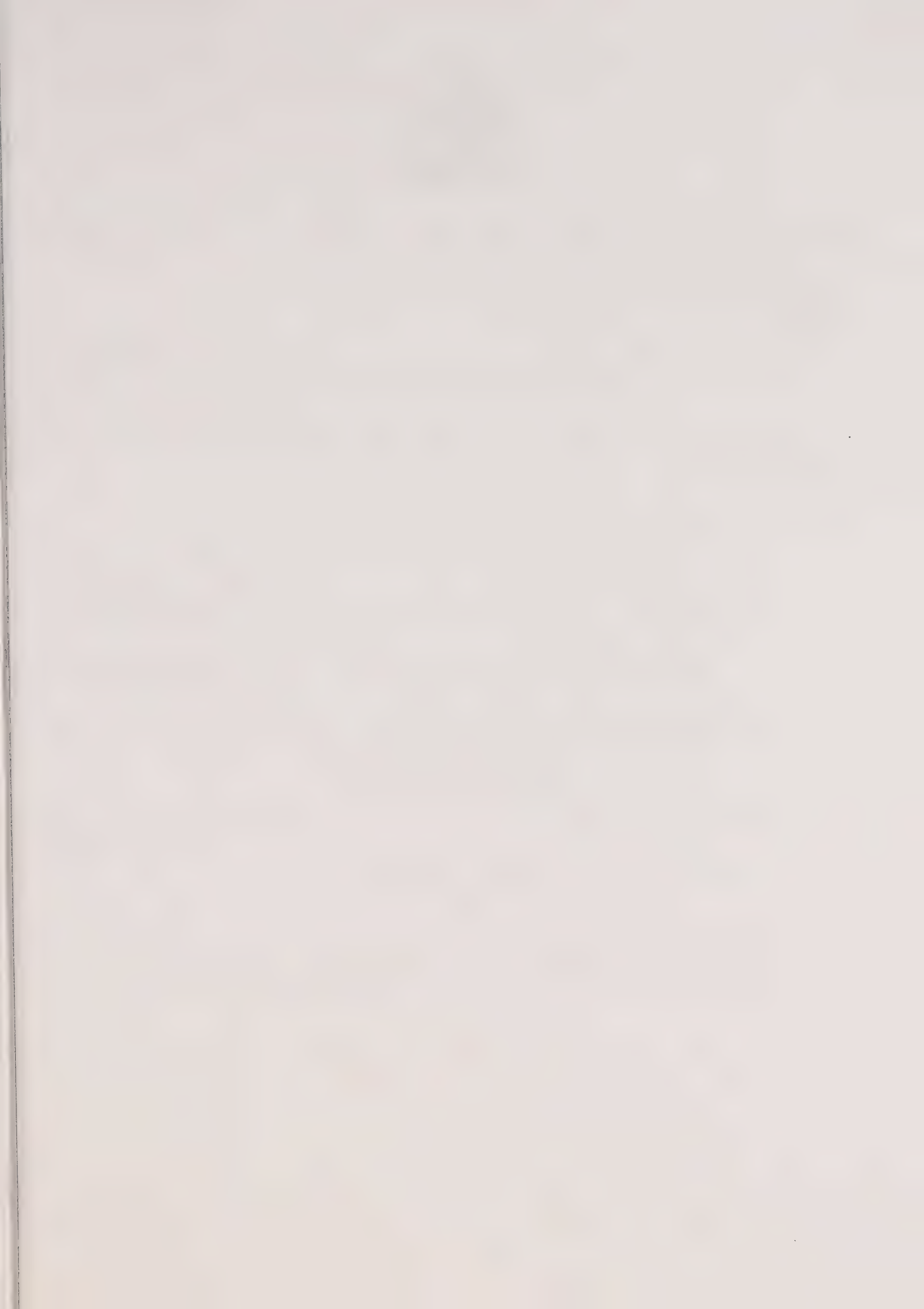
and continue in open session. Relevant ministry staff will be invited to appear before the committee to provide comments and to answer questions."

Is there a mover?

**Mr Gilchrist:** So moved.

**The Vice-Chair:** Any debate? Being none, all in favour? Opposed? None. Carried.

*The committee adjourned at 1155.*





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## STANDING COMMITTEE ON PUBLIC ACCOUNTS

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- \*Mr Gilles Pouliot (Lake Nipigon / Lac-Nipigon ND)
- \*Mr Toni Skarica (Wentworth North / -Nord PC)

*\*In attendance / présents*

**Also taking part / Autres participants et participantes:**

Mr Erik Peters, Provincial Auditor

**Clerk / Greffière:** Ms Donna Bryce

**Staff / Personnel:** Ms Elaine Campbell, research officer, Legislative Research Service

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## Legislative Assembly of Ontario

First Session, 36th Parliament

## Assemblée législative de l'Ontario

Première session, 36<sup>e</sup> législature

# Official Report of Debates (Hansard)

Thursday 31 October 1996

# Journal des débats (Hansard)

Jeudi 31 octobre 1996

## Standing committee on public accounts

Annual report,  
Provincial Auditor, 1996

## Comité permanent des comptes publics

Rapport annuel 1996  
Vérificateur provincial



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## LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON  
PUBLIC ACCOUNTS

Thursday 31 October 1996

## ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

COMITÉ PERMANENT DES  
COMPTES PUBLICS

Jeudi 31 octobre 1996

*The committee met at 1004 in room 228.*

## 1996 ANNUAL REPORT, PROVINCIAL AUDITOR

MINISTRY OF  
COMMUNITY AND SOCIAL SERVICES

**The Vice-Chair (Mr Mike Colle):** Ladies and gentlemen, we will begin the meeting of the standing committee on public accounts. I welcome again the witnesses from the Ministry of Community and Social Services. Thanks for coming back. When we left off last week we had five minutes remaining on the government time. M. Beaubien, you had the floor, if you'd like to continue on the government side.

**Mr John Hastings (Etobicoke-Rexdale):** Possibly we could reserve it and let your friends on the other side —

**The Vice-Chair:** Sure, no problem.

**Mr Bruce Crozier (Essex South):** It's awfully early in the morning to be the first one on. I asked a question last week about the amount of fraud or speculation about the percentage of fraud there might be in the system. Have you had any opportunity to think about that?

**Ms Sandy Lang:** We think about that all the time. No, we don't have any further detail at this point in time.

**Mr Crozier:** Then let's pursue it from the point we had raised last week as well with regard to staffing, caseloads. Could you comment on how successful it would be to eliminate fraud if you had the appropriate caseload for your workers? That may be an obvious answer, but I'd like to hear it anyway.

**Ms Lang:** I must admit that does sound like every deputy minister's dream. I think we need more than just staff. The reality is that employees can only be as effective as the tools we provide them with. Part of our task in trying to deal with the issue of fraud is not only to have employees to do the work but to give them the tools, through information-sharing agreement so we can match, to be able to detect issues in their interviews with prospective clients and that sort of thing.

It's more than just having employees. It's also I think critical that we pursue, and we are pursuing, as we indicated last week, a very aggressive agenda of information-sharing agreements with departments of the Ontario government and departments in other governments as well.

**Mr Crozier:** I hope this committee, I think we found ourselves to be so, all of us, can be very much after the same objectives. Again I'll ask you a question that I hope you're able to answer openly. I'm not sure of how the system operates. I haven't been around here very long

and I'm from a small town. I just want to see us do the best we can.

To what extent, once government gives you its general direction or policy, do you influence either what government does, the advice you give, or how it's done? Do you feel that the ministry is there just to carry out the policy of the government or do you have other roles?

**Ms Lang:** There's no question that our purpose is to carry out the policy of the government and deliver services on its behalf, according to the policies as set by the government. But I think it's also fair to say that governments welcome advice from individuals who have the expertise and experience.

As policies are being formulated or issues are being contemplated for policy or legislation, there is no question that we are called upon to offer advice, bring in expertise as we feel is appropriate and offer that in the context of the various forums of decision-making for government. So we do, in addition to carrying out policies, attempt to offer the best advice and expertise we can on matters that are before the decision-makers.

**Mr Crozier:** Do you think that in the case of the 21.6% reduction or whatever it was last year at this time, making that reduction invites more fraud in the system? My objective here is to point out, let's say, that under certain circumstances, rather than just across-the-board reduction, it puts recipients in a position where they then are invited to mistreat the system because they simply don't have enough support, ie, live with someone else and not appropriately tell the officials. Do you think it invites that?

**Ms Lang:** I think, Mr Crozier, that would be a highly speculative response on my part. I don't think I could make a response that would suggest that a rate reduction in any way, shape or form is related to additional fraud. That would be very speculative, and I don't think I'm in a position to comment on that.

**Mr Crozier:** If you ever find that's the case, I'd like to know. Let me ask it in a different way. Rather than across-the-board changes, be they reductions, changes in policy, whatever, do you find them to be as effective and fair as more selective changes?

**Ms Lang:** It would very much depend on the nature of the change. In some situations it may be appropriate to have a specific policy, regulation or procedural change because of a particular classification of a case. On the other hand I think we strive very much to ensure that the policies and procedures are as fair and equitable as they can be across the board. It's very dependent on the situation and circumstances and the nature of the change that's being considered.



When you're dealing with human service delivery, human service policies, it's quite complicated and complex and you want to make sure that as you're providing advice and contemplating changes in policy and program, you are being fair and equitable and ensuring that individuals receive consistent treatment.

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**Mr Crozier:** When someone leaves the social assistance roll, is there any attempt to find out why they left?

**Ms Lang:** We do not have a standard process in place to find out why they left. As you will recall, we did have a survey conducted on our behalf over the course of the summer that attempted to determine why people left. That survey was released by the minister last Thursday. That's the only comprehensive review that I'm aware has been conducted by government to determine why individuals have left social assistance.

**Mr Crozier:** How do they survey someone who doesn't have a telephone?

**Ms Lang:** If you're doing a telephone survey, I'm afraid you don't do that.

**Mr Crozier:** Yes. Do you, as part of the application form someone has — I assume they have to give you their telephone number — have any idea how many people on social assistance have or don't have a phone?

**Ms Lang:** I'm not sure if we have that information.

**Mr Crozier:** It's easy to obtain. It's either on the application or it isn't.

**Interjection:** Case workers would.

**Mr Crozier:** Case workers would. This is not intended to be any kind of loaded question. I think we all want to know and we all hope that those who leave social assistance do so to get back into the workforce. There's absolutely no doubt in my mind that this is what we all want. As was said earlier, when it comes to the percentage of fraud in the system we're hesitant to speculate on it because we don't want to be misleading.

At some point all of us, if the poll is favourable, have smiled and said, "That's very nice," and probably all of us have said at one time when a poll wasn't in our favour, "Who cares about polls?" and "Polls are misleading."

I don't know what to believe in polls. I like more to believe in facts and that's why I wonder if this kind of information or this kind of tracking is available when people leave the system. I find it to be more useful than calling 1,000 people in the province. Although I would never be misleading in a poll, I'm not so sure that everybody answers a poll accurately anyway.

**Ms Lang:** If I can simply comment, the survey was not done as a polling tool but as a survey tool. The methodology that was used, as I understand it, by the firm that conducted the survey was a representative sample, and they did talk to individuals. We can only operate on the assumption that as they talked with these individuals they were given accurate information and accurate responses.

**Mr Crozier:** What do you do with these results? What do you do with that survey?

**Ms Lang:** I think the survey has helped us in a couple of ways. In one respect it's helped us advise individuals that there has been some success for people leaving the

social assistance system. But more important I think for public administration, it has offered us some input in how we can change the existing what we call termination codes; it's a technical term we use in our information system.

When someone leaves the social assistance system at the moment, our case workers complete a termination code. Those codes are far too extensive and complicated. Benefiting from the survey and the methodology, we've received some advice that suggests we could be changing our termination structure to more accurately reflect why individuals leave social assistance. So we intend to make some changes to that system.

**Mr Crozier:** So this will lead more or less to what we've been getting at: that you will have, hopefully, better tracking when people leave and have the statistical data at the time.

**Ms Lang:** Yes, that's certainly our intent.

**Mr Crozier:** That's great. Is my time up yet, Chair?

**The Vice-Chair:** Yes, it is.

**M. Gilles Pouliot (Lac Nipigon):** Oui, merci. Bonjour. Mr Crozier, with his usual eloquence, mentioned that this committee should be non-partisan; that it should rise above party affiliation, ideologies. After all, we're looking at the affairs of the state, that of public accounts, in terms of, are we Ontarians getting full value for our tax dollars? But I must say that, beyond being ironic, for me it is no surprise, since majority rules — and that I understand and accept — that the first item out of the auditor's report would focus on general welfare assistance fraud.

As I read the report throughout, there are many incidents where vigilance has not been the order of the day, where there's a lot more money. But one more time, by regulation, not by legislation, right off the bat, the night of the long knives, the first night, 21.6% cuts; cuts in staffing you explained last week, Madame, and I thank you, and again this morning; a snitch line, where people are invited to rat on their neighbours. It's one, two, three, four, and as long as there is any flesh left on that carcass, they shall pick it. That's their belief in life. They are driven that way. I am not, Madame, I can assure you.

You have read, no doubt, at times, because we do toss figures back and forth and I would imagine that the jury is out, that the element of fraud, although it's difficult and it would vary, would be centred at around 3%. Have you ever come across that figure — that people who cheat the system, if you wish, who are fraudulent, would amount to about 3% when we're talking about general assistance?

**Ms Lang:** It's my understanding, Mr Pouliot, that that was the number identified as part of the SARC review back in the late 1980s.

**Mr Pouliot:** Okay, thank you. Oh, we're not here to talk about workers' compensation — I'm sorry it's low there; thank you kindly — or small business being late in remitting my tax dollars to the government. Oh, we're not here for that.

Madame, in 1991, "The ministry staffing study concluded that service to recipients could be effectively met with a caseload standard of 275 recipients" — and I'm quoting — "per case worker. The study also observed



that for every case above 275, progressively more functions would go undone, to a point" at which even critical functions would not be performed.

The auditor's report on page 66 quotes on average 385 files. We're talking about a percentage exceeding, surpassing, or certainly neighbouring 20%. So here you have a situation where people are asking you to be more vigilant, and yet you have fewer people to do it. Obviously, people are under stress. You can only do so much on any given day. So many hours at your designated workplace constitute your workday. But you possess a new dimension, you go above, because you're there to serve and you understand the mandate. But you cannot bridge day after day after day from 275 to a capacity of 385. Something's got to give. At first you dish off experience. Then you start cutting corners. You don't do things. You're not meticulous any more. You're careful, but someplace, somewhere, it has to give. Is that not your impression?

1020

When you had a caseload exceeding 330 clients, you made a presentation in 1991 to hire another 200 staff. I recall that, because we were on that side then. But with the help and the benevolence of the electorate, now they're on that side. But when we were the government, we said, "Hey, hey, hey," and you had 200 more staff. My question is simple: How the heck, if I may be so bold, are we expected on the one hand to go after the fraud artists when we don't on the other hand have the tools to do so? It's simple logic, is it not? Do you need more staff, Madame?

**Ms Lang:** I think we are, at this point in time, looking at what other tools can be made available to deal with the issue of fraud. As we indicated last week, we are not only concerned about ensuring that our employees are well trained and have the ability to take on the tasks that we're putting in front of them, but we're also wanting to make sure they have the right kind of technical supports. As I indicated last week, the current information system and the current computer system that supports this program is so outdated and antiquated as to be less than helpful most of the time, so we have a major initiative under way to replace that system. It is a very complex system and does require a lot of time.

We also are aggressively pursuing these information-sharing agreements with other provinces and other departments to give the employees the tools they need to be able to track down potential duplication or double-dipping or concerns of individuals receiving benefits from more than one program. I think that as we introduce new technology and give them the benefit of automated capacity to do their job, we are alleviating much of the workload stress they have now on a manual, paper-driven process.

**Mr Pouliot:** Sometimes things happen, Madame; I need your help. They're unexpected. No system is perfect and sometimes governments initiate changes and the end result is not quite what they had anticipated. My focus is maintenance and child support.

We'll talk about Ms Jones — hypothetical, Madame Hansard; Ms Jones is Ms Citizen — with two children. Harry, also fictitious, is the former husband, the spouse.

For the past six years he became less compatible; no one's immune, we all understand that. He kept making his payment to Ms Jones and, as is often the case, she has custody of the two toddlers. He has visiting privileges, but they don't apply here.

They keep taking the money off the paycheque, but she does not receive the money. People are of moderate means. It's not everyone who is fortunate; far from it. Your caseload will attest to that. It's pretty well her sole source of income, that and a supplement that she gets from you. You're the only support system. You're the only friend Ms Jones has. She keeps calling our office, you see, and she says, "What am I going to do now?"

Do you have any figures to attest to what has been raised in the House almost on a daily basis: spouse making the payment; the payment gets in limbo; maybe it's gone to a vortex, but the recipient, because of a glitch in the system, is not the recipient any more? Where's the money? Has that put more pressure on your system? You see, she used to get support payments. The deductions are still being made but for the past two months, in many cases, and they are documented, the money doesn't flow. She has not received the money, so she has to turn to you.

**Ms Lang:** If I understand your question, you're asking if the recent changes in the family support plan and some of the glitches they've experienced have had an impact on our program and our services. I believe we've had some additional inquiries. As you know, our program is there to be a safety net and a fallback position, so yes, there have been some inquiries from individuals who have not received their payments and they are in need of some financial assistance.

**Mr Pouliot:** Thank you kindly. When you do —

**The Vice-Chair:** Thank you. Your time is up. You'll have another opportunity. The government side.

**Mr Hastings:** My question to you, Ms Lang, revolves around — you've got so many things going on in this ministry in terms of trying to serve a customer and I get an impression, and I don't want to put you on the spot, that you've got so many initiatives going on to try and fix the dike — it's like the little Dutch boy with the hole in the dike and he has one finger in and there's another one starting and another one.

I'm wondering to what extent this ministry, like a lot of others, needs to go back to first base, to first principles, whether it has really got its mission lined up, so to speak, in your own mind, and your senior management, that is, to deliver social assistance and these other programs. I'm wondering whether all the folks down the line have a clear vision or a clear understanding of what it involves and how all these initiatives fit in or don't seem to fit in to what you're trying to achieve, going back to the original objective.

I wonder if you'd like to comment on that as to whether you yourself feel to some extent, because of the changes and all other stuff that's going on in society with relation to the cultural work changes, that you get inundated and you lose focus. I'm not looking for mea culpas or anything, but do you feel that we're losing our focus?

**Ms Lang:** I think I would suggest, Mr Hastings, that we are in fact shaping our focus and, as we have been



involved in for the last year and a bit, a business planning exercise as part of the government strategy, we've been challenged to be very clear about our focus and our core businesses. We have produced a business plan that I believe does identify what are the core businesses of the ministry, sets out a strategic direction for ourselves for the next four to five years, and attempts to articulate the ministry's vision for services: what it is we think we can do, what we believe others need to be able to do to be part of the community service system on behalf of individuals in need.

As a result of the production of that business plan and the work that we've been through with cabinet and others in finalizing the business plan and the direction for the ministry, we have also been spending our time meeting with our staff, talking with individuals as we travel throughout the province about the business plan, the core business of the ministry. I make visits out to area offices on a regular basis to talk with all of the staff about what the ministry is doing and where we're going as an organization and how the work of our ministry fits into the government's overall agenda. So I think we're attempting very specifically to give focus and shape to the work of the ministry.

One of the things we are attempting to be very clear about with our employees and with the organizations that we deal with on a regular basis is that we cannot be all things to all people. As a human service organization, we will be quite clear about what we're prepared to support and how we're prepared to support it, but we're looking at others in the community to be part of that agenda as well.

**Mr Dave Boushy (Sarnia):** I have a question. Do the welfare recipients get their cheques by mail or do they now pick them up from offices?

**Ms Lang:** We have a number of distribution capacities, Mr Boushy. We have direct deposit so that funds are deposited directly in many bank accounts across the province, which has been an incredibly helpful efficiency. We send some cheques and we have some cheques where we ask individuals to come and pick them up at the office if there is some question about whether that individual is still in need. We have a variety of tools that we use, depending on the nature of the particular recipient and the circumstances around their eligibility for welfare.

1030

**Mr Boushy:** You say some of the welfare recipients are not supposed to be on welfare. I was impressed by a comment made, I think, at the last meeting, I think in one of the states in the US where — we talk about base budgets ourselves — they said, "Nobody is on welfare from now on. As of the date today, you will apply for welfare," and only 30% of those on welfare did apply. Apparently the rest of them were taking advantage of the system, they weren't qualified or what have you. Do you think that kind of approach could work in Ontario? I believe it was in Michigan it was mentioned. I'm not sure if that's the state that tried it.

**Ms Lang:** I'm not sure whether that kind of approach would work. That would be an incredibly significant workload, as I understand your comment, to identify a

point in time and indicate that, as of this date, everyone who is currently receiving benefits must come and reapply. I'm not sure we could cope with the workload, quite frankly.

But I think what we've been able to do is a case-by-case review, which was launched about three years ago, so that there was a case examination of every individual receiving benefits in the province as a way of ensuring that we have reasonable evidence to substantiate their need. Where there were some questions, we did that kind of follow-up where we would ask them to come in and see us. If they didn't show up, then obviously they were not in need of the benefit. So we've done a similar thing, but not quite in the way I think you're articulating it.

**Mr Boushy:** I would say this would be a very effective way of pulling in some of the applications for people who are not qualified. I was a municipal councillor, and the best way we dealt with it, we said: "Right now, this year, we have a base budget. In other words, we don't have any other programs. We start from scratch." We found out that was a very effective way of getting rid of the duplications and programs that shouldn't have been there to start with.

**Ms Lang:** I don't want you to get the impression that we're not prepared to look at base budgets. We're going through that at the moment. But I think it's important to understand that the nature of family benefits is an entitlement program. As individuals apply and are deemed to be eligible, they are entitled to receive benefits for as long as they are in need of those benefits. So it's different from a base review exercise. That doesn't take away, though, from the fact that we could employ various techniques as need be to determine that people are still in need of that benefit. That is in fact much of the work we are doing.

**The Acting Chair (Mr Bruce Crozier):** You have a couple more minutes. Shall we move on?

**Mr Mike Colle (Oakwood):** I'd like to comment on the so-called survey that was done by the ministry about the number of welfare recipients who supposedly found work. I think it was in 1924 Alfie Landon was running for president. They did a survey and a poll and they predicted Landon would win in a landslide. You probably don't remember Alfie Landon because he didn't win in a landslide, he lost by a landslide, and the problem was the poll. The poll was done by telephone. In 1924, who could afford to have telephones? It was mostly Republicans that they polled, people with money who had telephones, and they obviously said, "Alfie Landon."

I think the sampling that was done is really not helping to find out what is happening to people on assistance. I think you should do a comprehensive analysis, because it helps to find out more about the nature of the problems people have in trying to find work and how to get them into work and how to encourage them and how to give them support services.

These, to say it mildly, unscientific political polls that are done are not helping at all. I think your ministry should undertake an analysis of where these people have gone and how they can be perhaps put into an analysis of what is happening to people on assistance. Without that kind of analysis I think we're all groping in the dark to find out where these people have gone.



The question I'd like to ask is, in terms of the system you have in place — I know the new government has been in place for a year and a half — but it seems that the computer system, the automation process, has still not caught up with the caseload. In fact some of the auditor's concerns in 1992 have still not been met. That is what is in the auditor's report. Why is it taking so long to put this system in order? Is it essentially because you have insufficient resources to put the system in order? We've got case after case of information not being completed. Over half the forms filled out don't have complete information. I think 50% of the cases have incorrect addresses.

Since the computer system is going to take another year or whatever it is to get into place, do you need people to get this process to a fair and manageable and publicly accepted process? Because right now I think the situation is still in a mess and I don't see any major strides made to get us out of the mess to where the system gets some credibility and some integrity in it.

What is happening right now is it's easy to blame the people who were caught in overpayment situations and so-called fraud situations and say it's their fault, but maybe it's the fault of the ministry, that once you don't have the systems in place to ensure there's proper information, proper follow-through, the system is therefore open to attacks in terms of its integrity and in terms of branding people on welfare, "You cheated." I think one of the reasons there has been fraud is that the systems haven't been in place, and they're still not in place, to make it difficult for people to abuse the system. Subsequently, people who are perhaps — who knows what the number is? That's another thing that should be pinned down. How much fraud is there?

Until the system gets some integrity in it so that you don't blame the recipients for perpetrating the fraud or the mismanagement, I think we have to blame the people who are managing the system. I'm not saying it's your fault particularly, but it's something that has been building up over a number of years. I know we had a dramatic increase in caseload. I know we went from about 30,000 to almost 150,000 on assistance in Metro, a dramatic increase. How do we get this system on track? To me, it doesn't seem to be on track yet.

**Ms Lang:** I think what I'm going to do, Mr Colle, is ask Kevin Costante to talk to you about what we are doing in the area of technology and what our current process is and when we are hoping to be able to ensure that the various tools are there to help us maintain the integrity of the service system.

1040

**Mr Kevin Costante:** To follow up from the deputy, essentially we received approval in early 1994 to undertake redevelopment of our computer system. That was a joint project, as you may know, with Metropolitan Toronto, which had started the case worker system, and we partnered with them to develop that and then turn that into a province-wide initiative.

What we have done since then is essentially going from almost a completely non-computerized environment to a computerized environment. First, we had to rewire and make sure that the desks in offices could accommo-

date new technology. We had to train staff, then we had to install the personal computers in the various offices. So far, I believe about 60 offices have been installed. We plan to get the rest of them up and going next year. Our goal is to get another 20 done by the end of this calendar year. So we're moving quite aggressively on that.

**Mr Colle:** Can I ask you one specific question? In 1992 how many cases were there per worker? People in the field. I'm not talking about supervisory officers. I'm talking about case workers in the field. How many did they have in their caseload in 1992?

**Mr Costante:** I'm not sure if we have that. Do you have that?

**Ms Lang:** We'll check.

**Mr Costante:** We'll check the numbers.

**Mr Colle:** How many are there now?

**Mr Costante:** There's 840 or thereabouts.

**Mr Colle:** How many cases do they have each?

**Mr Costante:** I think the auditor reported at 385 per case worker. Can I make one comment on that, Mr Colle? I think some of the situation has indeed changed from there. I don't think it's completely fair just to measure it on the basis of the number of case workers per case. I think you also have to look — we're still largely in a manual environment and you have to look at the number of clerical support workers, which we have also been increasing, and the number of specialized staff that we have brought in to assist the case workers. I think those other staff types have also increased quite rapidly. So I don't know if just looking at the straight caseload ratios is the be-all and end-all —

**Mr Colle:** But I can't understand why I can't get that information. You've had this dramatic increase in caseload. I know the gross numbers, so I assume there has been a tripling, a quadrupling of the number of people per case worker. Doesn't it make sense that that would be the case? Maybe that is one of the reasons why basic forms aren't completed. Nobody's checking them. Fifty per cent of the forms aren't — I mean, addresses are wrong in most of them. They can't collect overpayments because most of the addresses are wrong. Does anybody even check the addresses?

Maybe it's because, through this transition, you don't have enough people while you're going into computerization, and I think staffing reductions may take place, but right now it seems there's nobody out there who can handle all this basic information. If you can't handle names and addresses and phone numbers, how are you ever going to ensure the system has integrity? Nobody's checking it seems, according to the auditor's report, whether the forms are even completed.

How many did we have before the bulge started and how many do we have now per case worker? I know it's only one thing, but how many would it be?

**Ms Lang:** According to our information, in 1992 we had 320 cases per case worker.

**Mr Colle:** But I guess 1990 maybe is when it really started. How many would they have in 1990? That's when the recession started. You can get that to me in a minute, but just to give me an idea. But I can't see why we went from such a small number to an unbelievable number and you still have about the same number of



cases per worker. There's something that doesn't jibe here.

**Mr Pouliot:** I want to pursue the overpayment, the recovery. It can get pretty tough in terms of recovery out there. For instance, someone is overpaid and they don't have enormous capacity to pay back, so you go to a central agency whose track record, given the clientele, is — I guess you measure the performance of recovery on a different scale, and I think we all readily acquiesce that you're not expected to do that well that quickly.

There's been talk of improving that recovery by going to other agencies whose approach, style and methods could help enhance the revenues. In some cases we know that it would be the unspeakable in pursuit of the most vulnerable. Some of the characters are said to be unsavoury. Their style — well, I'll tell you what I think: They're insatiable and they will scare the living daylights out of people by their methods. Some people are not very strong. They don't have the tools to defend themselves and hence are more vulnerable.

Do you feel the recovery would be greatly enhanced, somewhat enhanced or enhanced at all if, in lieu of the central agency, private entrepreneurs would take over? If you give it to Harry and the boys to go and collect from Ms Jones, will they have more success than your central agency has, in your opinion?

**Ms Lang:** That remains to be seen. Through our work with Management Board, we are anticipating that if we have the individuals who have expertise in the field of collection taking on the task, presumably they will have more success than we have had, but we will not know that until we've actually launched that endeavour.

**Mr Pouliot:** Okay. I certainly wouldn't want to antagonize Management Board nowadays. Allegedly they have shown their determination and they're pretty close to their work and excellent at monitoring compliance. I say this by way of observation, not compliment.

In terms of research, MTO, for instance, there are about seven million of us Ontarians who have a licence in good standing. It has been used as a wide range for referencing. It's a good place to find out the right address etc. Can you help us? Who do you call or what do you use if you want to find out about a person? Do you call Revenue Canada? Do you call MTO? Can you walk me through the system?

**Mr Costante:** If there is a suspicion on an individual case, we have the authority — because clients, when they come on to social assistance, sign a waiver — to explore with Revenue Canada or workers' compensation or unemployment insurance what their status is with those organizations. As we indicated previously, that can be quite labour-intensive, and we're looking at doing that on a more mechanized and larger-scale type of approach. If it was with another province, you could run a tape of social insurance numbers between the caseload in Ontario and the caseload in Manitoba, for example, spot where there is duplication and then investigate those cases. That's the type of approach we're trying to get.

We're also looking to be able to do similar types of things with provincial organizations, including the Ministry of Transportation, which as you indicated has a good database. If we're looking for a spouse who doesn't

have support payments in place, that's perhaps a place where we could go to seek that type of information if the spouse was still in Ontario.

1050

**Mr Pouliot:** Thank you very much, Kevin. Do you know of any of your case workers, in their constant quest to be good citizens, people who go beyond the call of duty, who help some of the clients file forms from time to time, such as the disability provision under the Canada pension plan?

**Mr Costante:** I would assume that many of our case workers try to be as helpful as possible in terms of clients who are seeking other forms of income, including Canada pension plan or old age security, whatever they're legally entitled to. Yes, I assume they would help.

**Mr Pouliot:** I'm sure every one of us — it's a normal reaction — wishes to have a job because we feel more functional, we contribute, we're like the others; character enhancement from our surroundings etc. It gives us — not too many are philanthropists — the means to do things. We can purchase things, we can plan etc.

It's been in the newspaper that it was going to be not a handout but a hand up. People were going to go and rake leaves — well, not today; it's too windy. They were going to do this and do that. They've been the government — it's getting a little long now — a year and a half. How many workfare cases are you aware of where people do a job and then they come to you for the dole? They were going to be put to work, those people. What happened? Is this a reality? Out of the hundreds of thousands of recipients, can you tell me what line of work your recipients are in under workfare?

**Mr Costante:** The Ontario Works initiative includes a component of community placement, as you described. It also includes employment participation and employment support initiatives. We have a broad range of employment supports that help clients to get employed. It goes the full gamut from references into the Ministry of Education and Training for literacy training through to help with résumé writing and access to federal job information, their computerized job boards. As well, for those who are more job-ready, we are looking at a process where we can contract with a placement firm to get them into actual jobs, as well as the community participation things. Those types of projects are meant to help the client gain some skills if possible, give them a good reference.

In terms of the number, which I think you're asking me to get to, I don't think we have a full estimate yet. As you know, they're just starting. There was a recent report in Algoma of the start, and there were seven people in Algoma.

**Mr Pouliot:** Seven people in Algoma. Wow. Thank you very much. With respect, if you ever decide to enter politics, will you please call us? We'll find you a riding.

Again with respect, I work with professionals. I've asked, and you knew the question, sir, and I know it's quite difficult. I prefer my job to yours, because I have a lot of latitude. I also have — I want to run this by you, Mr Chair — immunity here, sir, right?

**The Acting Chair:** I'm not sure about committee.

**Mr Pouliot:** I sure do.

**The Acting Chair:** But you have run out of time.



**Mr Marcel Beaubien (Lambton):** I think most responsible people in the province do not mind helping anyone who needs help, but I think most people in the province are not very receptive when the system is not working or when we have fraud in the system.

My colleague Mr Colle has touched on a couple of points. Some 41% of the files reviewed for newly granted recipients were missing at least one piece of necessary information, and 85% of the files reviewed for ongoing recipients lacked at least one piece of necessary information. We can attribute this to maybe the system is not working, maybe the technology is not upgraded, maybe we are short-staffed. I would strongly suggest that Ontario Hydro has cut its workforce by 10,000 people in the past few years. I don't think we've had more brown-outs and I think the service is just as good today as it was three years ago. I don't think we can associate the level of staffing we have with the quality of work.

I look in my own riding, and when I talk to social workers I know that the rate of fraud in welfare programs delivered by the county is somewhat less than the rate of fraud in the programs delivered by the province under family benefits. You have as a ministry contracted out the county in my own riding to review and revise your files, to bring them up to date, on numerous occasions in the past three years.

It's not a matter of not having enough people; it's a matter of not training your people properly. The Chairman was an insurance broker for a number of years. You're very conscious of possible liability. I am sure that once one of his employees took an application for whatever, especially if it was an insurance contract, he wanted the address properly done, he wanted the telephone, he wanted the pertinent information accurate. Why does it seem to be such a major problem to have the initial process done properly? Because if the initial process fails, the rest of the system fails.

**Ms Lang:** What I would like to do, Mr Beaubien, is have Mary Kardos-Burton talk to you a little bit about what the training is that we actually do provide for our workers and to talk with you about the material that is required as part of the intake application, what is absolutely essential information, and what information will follow that will be necessary to complete the file.

**Ms Mary Kardos-Burton:** In terms of the training programs, that is an area that the ministry can be very proud of, as well as our municipalities. For income maintenance officers for the provincial program, the training program that is offered for all staff is a three-week intensive program which takes you through the regulations, the legislation, the processes, how local practices vary. People get an opportunity to talk about that. It's an intensive program. It's often a residential program. The municipal program is a two-week program and it goes through much of the same thing.

In addition to that, one of the areas we've really improved on — as we've been talking about this morning, in terms of the caseload, one of the things that's really important to remember is that there have been a number — and I think the auditor recognizes this as well — of policy changes that have been made. But what we have done is train staff each time those policy

changes have been made as well, which requires a great deal of effort, because not only do you do a training program for an individual policy change, but then you incorporate that into the ongoing training program. For the provincial program, we've just done massive training for all of our income maintenance supervisors. Within a period of six months all income maintenance supervisors have been trained, and that's 150 staff. We're very proud of the training we've done.

In terms of the information requirements, the enhanced verification program which we talked about last week, in our training programs all of those requirements are covered as well so people are familiar not only with the requirements but what questions and approaches do you use in getting those requirements from clients and from outside sources as well.

**1100**

I think we talked about the enhanced verification process. I know we commented to the auditor that we would be looking at some of our requirements, determining whether the intensity of those requirements is necessary in all cases.

Just to close off, I think we've made significant improvements in our training programs. I think we have the programs in place for our staff and we've produced materials, resources, as well. Those are updated as often as possible. We have a massive program of communication where we send out directives on changes. Of course there's always room for improvement, but we're certainly trying our best in those areas.

**Mr Beaubien:** As a follow-up to that, do you think the system itself, legislation and regulation, is too complicated, and is that why you have to train your people continuously? Do you think there have been too many changes introduced in the system in the past few years? What's your feeling on that?

**Ms Kardos-Burton:** There have been a number of changes. I wouldn't say there are too many. When there is so much change it's always an adaptation for staff in terms of coping with it.

**Mr Beaubien:** What's your feeling? The whole process is to look after people who are in need, correct?

**Ms Kardos-Burton:** Yes.

**Mr Beaubien:** If people are in need I don't think we need two systems: FBA and the general welfare. What's your feeling about having just one system looking after people who need help?

**Ms Kardos-Burton:** I'll let the deputy minister answer that one.

**Ms Lang:** That's exactly where we are going, Mr Beaubien. The government has made it very clear that they want one single delivery system and they want one form of social assistance for those who require income support. We are currently into major policy development work now that would create a consolidated, single-tier delivery system for social assistance in the province.

We are also awaiting the results of the government's determination on the Who Does What panel that determines what level of government should be the delivery agent for that single tier. We are also actively engaged in policy development work on the creation of an income support program for individuals with disabilities, which is very different from a welfare kind of program.



It is a very clear agenda that's been given to us in terms of trying to create a single-tier service delivery system in the province for social assistance, determining what is the best delivery agent for that program and how it will be managed in the future. That means we will need very significant reform to the existing legislation. As you indicated, the existing legislation is very complicated; it is quite complex. It hasn't been revised in many years, and the regulations associated with administering this program are also quite extensive. They change quite frequently, and as a result the procedures need to be updated and upgraded all the time.

We are looking for the potential to have the welfare legislation reformed, a single-tier delivery system created, and with any luck at all the technology will be there to support that newly designed welfare system and we will have what I hope will be a much simpler program to administer in the future.

**Mr Hastings:** You are a customer of social service. You have come to family benefits to get a cheque because of differing circumstances. Have you or any of your staff ever placed yourselves in the role of being a customer of the service delivery model you're trying to provide? If you haven't, have you ever thought about doing it? I think it would really open your eyes and those of some of your case workers if that occurred.

**Ms Lang:** I can't speak with absolute confidence, Mr Hastings, but I suspect that some individuals currently in our employ may have been recipients at some point in their lives, so they may have experienced it from a direct customer service perspective. I have been involved with case workers, spending time with them taking applications, but I have not been on the other end of the application process.

**Mr Hastings:** Do you know within the private sector a lot of that goes on to measure, to see what is happening? Could I recommend that you attempt at occasional intervals to measure how we are dealing with these folks who have come to you for whatever set of reasons?

I perceive it from the other end, of many people coming to my community action office. Even if I only believe 50% of their story, I get a consistent theme of a sort of indifference to their situation despite all your caseloads. I think it's something you need to look at and I can give you some documentation on this.

Even if isn't true, any of it, why is that perception being given to me by these folks despite their financial situation? In other words, we're talking about a communication problem.

**Ms Lang:** I understand.

**The Acting Chair:** Thank you. We'll move on and perhaps pursue it in the next rotation.

**Mr Colle:** I was trying to look again at the relationship between the big bulge of people on social assistance in relation to case workers. In trying to come to grips with the numbers one of the things that made me wonder and maybe answer in my own mind is that the GWA numbers had a much more dramatic bump up, didn't they, than the family benefits numbers during the recession? How would you compare the two bump-ups?

**Mr Costante:** We can get you the exact numbers of caseloads, Mr Colle, but there was a dramatic increase in the GWA numbers in the early 1990s. What we've

experienced in FBA has really been a fairly rapid but steady increase.

**Mr Colle:** Yes, steadier than the GWA.

**Mr Costante:** Yes. It did go up as well. It bumped up in the early 1990s. The FBA caseload has been growing 7% a year for the last 14 years on average. I think what happened in the mid-1980s, when the GWA caseload either went down a little bit or evened up, FBA continued to grow.

**Mr Colle:** Okay. Just trying to clarify the staffing thing, the 1992 auditor's report mentioned there were about 320 clients per case worker. "These case workers can spend only five hours per year on each case." How can you adequately, as someone mentioned, provide service to a customer or ensure that guidelines are being met if you're only supervising or giving service five hours a year?

**Ms Lang:** I'm not sure where the five-hour number came from.

**Mr Colle:** I guess the auditor did this survey in 1992. Has this changed, that these case workers can spend only five hours per year? "This is insufficient time for case workers to perform their work adequately."

**Ms Lang:** I can comment on the way case workers manage their caseload, Mr Colle. Case workers determine as much as they can the needs of their caseload. For example, many individuals on social assistance are developmentally handicapped and for the most part are probably going to remain on family benefits for their lifetime. They may not require the same degree of interaction in ongoing eligibility determination as other individuals whose circumstances may change in a significant way. Case workers attempt to modify their interaction with cases depending on the nature of the caseload.

**Mr Colle:** I'm aware of that. Is it still about five hours a year per case today? Do you know how much time a case worker would spend on a case today? This is 1992 that the auditor was concerned. In fact he said that at this rate only half the work would get done.

**Ms Lang:** I understand, and perhaps Mr Peters could answer the question, but I suspect they arrived at five hours by a mathematical formulation. I would suggest that our case workers spend time according to what they believe they need to spend on a caseload, depending on the nature of the cases and time available to them. I wouldn't want to suggest that they spend only five hours on each and every case. They may differ their time on cases according to the needs of that particular individual.

1110

**Mr Colle:** Given the 40 hours a week they work, there's going to be a certain amount of limitation on a person's time. This average is quite shocking. I can't see any case being supervised or a customer being given support if on average you could only spend five hours. That's an average or median or whatever it is, but I don't know; I think maybe that's part of the reason why we've got this gap in terms of providing service and enforcing certainly our rules and regulations in this area.

I have another question. A lot of these recommendations were made in the 1992 auditor's report. In reading the 1996 report it seems a lot of the 1992 recommendations have not been followed through in terms of overpayment collection, caseload responsibilities, information



in files. This is nothing new to the ministry. This is something the ministry knew about in 1992, and we still have this lack of follow-through by the ministry. Why is the ministry not able to follow the auditor's suggestions that go back four years?

**Ms Lang:** I can comment on a couple of things. First, just to give you a response to your earlier question about the caseload ratio in 1990, it was 368 cases per worker.

**Mr Colle:** It was 368, yes. Now it's 385, right?

**Ms Lang:** At the time the auditor did his review it was 385. I think it has been reduced since then as the caseloads are declining. But I don't know that we have today's information available to us.

The auditor's report in 1992 made some comments about the management of the program. Since that time the ministry hired 450 additional staff but, as we indicated earlier, the caseload continued to grow like crazy. We did a complete blitz of the caseload to ensure that those individuals who might be eligible for the Canada pension plan were being directed in that area.

We introduced over that period of time the enhanced verification initiative to ensure that there was clear eligibility. At that time we also added another 270 staff.

I think it's fair to say that since the 1992 audit there have been major efforts made to try to address the concerns the auditor had at that point in time, but I also have to reinforce the fact that the caseload continued to grow quite significantly. We were doing as much as we could to keep up with the demands of a growing caseload and the expectations for enhanced verification.

**Mr Colle:** In the area of overpayment, recoverable overpayments totalled \$368 million, just for this latest audit, an increase of 163% since 1992. You've got a dramatic increase in overpayments: \$155 million was due from active recipients, \$213 million from former recipients — there's no follow-through, it seems, in a lot of these cases — outstanding payments of \$142 million, \$30 million written off.

The auditor said the reason this is happening is because there's no follow-through by your ministry. This overpayment situation was certainly referred to in the 1992 audit. A lot of it is because 50% of the addresses are still wrong on the forms, so you can't find the people, and collection agencies can't collect because the information is wrong. Isn't it a concern to you that this overpayment situation is still not rectified since 1992? In fact, there's been a dramatic increase in overpayments.

**Mr Costante:** I'll comment on a number of items in your question, Mr Colle. First, I think part of the dramatic increase in overpayments has to do with an increase in caseload. As well, I think it has to do with our workers being out there finding cases of error and fraud and putting the overpayments in place. So to some extent our being more vigilant creates more overpayments because you find more things. We agree that more has to be done, and as the deputy indicated in her remarks, we're going to be working with Management Board in terms of trying to bring in an improved system to collect overpayments from inactive cases.

Your 50% issue around addresses and stuff, that is for inactive cases. For active cases, I think we're very, very good in having current addresses. As a matter of fact, it's

necessary if somebody is going to get a cheque. On inactive cases, we do feel that more efforts have to be taken, and that's why we're looking at a different approach here.

I should also point out that we know from our examination of this program that our clients are very mobile and that up to 30% a year move, so there's a lot of movement, and when somebody leaves the case it's often hard to keep track of that unless you have a very good system. I think we acknowledge and have acknowledged that we need to do more in this area, and we're pursuing it.

**The Acting Chair:** Before we move on, and it won't affect your time, perhaps Mr Peters could comment on the average hours that were raised by Mr Colle.

**Mr Erik Peters:** I think also the deputy raised the question as to whether we could comment on that. The matter was one of straight mathematics in a way. There were 800 case workers, there were 250,000 cases, and that gave 320 per. On assuming a 1,600-hour work year, which is quite a reasonable assumption, that gave the five hours per worker.

What concerns me a little bit, and that was one of the statistics that maybe the committee has asked for and should get, is that when we commented in 1992, there were 800 income maintenance officers. At that point, the ministry responded to say that the ministry had received approval to hire 450 additional case workers. In our 1996 report, which we just did, we found that the number had just gone from 800 to 850 case workers. In other words, we would have expected the number to go to 1,250 when it has only gone to 850.

At the same time, with all due respect, we also noted that approval had been given way back then to approve the case worker system, but in effect, at the same time, the old systems were still being worked. They were problematic then, they were problematic throughout the four-year period, and they are now supposed to be solved by 1997 through the new work. One of the problems I have, and maybe you can comment on that when you talk — you just made the comment on the addresses — is the point about the new system.

If the basic information is currently in trouble, like new applicants missing so many pieces of good information and ongoing missing so much, what part of the systems effort is directed at, if you will, to use a word I just now used on the pension system, data purification, so that the new system doesn't start out with 328,000 cases, or whatever it is, where the basic starting data are in difficulty? You might want to relay it. Maybe that will help illuminate the point that Mr Colle raised and the points that you would like to make in response.

**Mr Costante:** I think your point about data purification is a good one, Mr Peters. Right now we're pursuing the Andersen contract which, if we proceed with signing, would replace our CIMS main system. I think when we replace that system, that would give us an opportunity to look at that as we're transferring files from the old CIMS main system to the new system, to go through and use that as an opportunity to make sure we're starting off with an absolutely good file and not just transferring current problems on to a new system. It's a good point.



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**Mr Pouliot:** You've piqued my curiosity, Kevin. Thirty per cent of people who are on general assistance move on an annual basis?

**Mr Costante:** That's my understanding, that the movement rate in social assistance — and I'm not sure whether it's general assistance or FBA, but social assistance in general — is about that per annum.

**Mr Pouliot:** They would be more nomadic by virtue — let's face it. When someone comes and grabs 21.6% of a meagre sum, you become a lot more vulnerable and, "Well, I hope I don't have to go to too many bus shelters," because it's getting cold out there yesterday and today with the swirling wind.

*Interjection.*

**Mr Pouliot:** I guess the human dimension's got nothing to do with that, M. Beaubien. When you help people, as a good Samaritan, to access their entitlement, namely, Canada pension plan, the disability provision, the federal government is tightening the rules because they have seen a dramatic increase under that provision, and it's attested for all of us to look at. The federal government is also becoming, because they guard their fiefdom, their jurisdiction, more vigilantly vis-à-vis provincial government or municipal make-work programs; for instance, you work the required weeks and then you ping-pong the client under another jurisdiction.

But they will come back, because the government is really tightening up. They're saying: "Look, UI, the requirements are more, the criteria are more severe, the time equivalent is longer. In terms of disability, we'll make it to another threshold." So fewer people will result, and some of those will be coming back. This will happen — not UI, but what is now EI. This is in the process of happening. Some 180,000 to 220,000 under immigrant status and under refugee entrance, Ontario will get 60%. Let's agree on a number, 200,000, so we will get 120,000. There will be the usual ratio of refugee status vis-à-vis the overall number.

January 1, a couple of months, the first baby-boomer will reach 50. Each and every month in Ontario — there's 11 million again — 10,000 people get to be from 64 to 65. That's 120,000 per year, grosso modo. You have more people entering from 60, and I see where you're impacted from 60 to 64. I read about your supportive services.

And the economic cycle — we have a streamlining, the information age. It makes it more difficult to look in a crystal ball. But one thing for sure is you have good years and you have bad years. When the warehouses are full, you don't have the same capacity to meet the marketplace because of the law of supply and demand, our great system.

When you add all these things up, and we try to put the onus on the positive as much as we can, is it going to get, even with the gadget, with the gizmo, the computer and so on — and bring them on big time, but they don't buy Fords — how do you see your ministry developing? I think you're doing an excellent job. We used to say at cabinet that you didn't have good news written all over you, by virtue of your mandate, and it was a very difficult ministry. I remember coming back from a retreat

with Tony Silipo. We had a cabinet retreat and Tony was sitting beside me. It was on a Friday. There were some 20,000 or 25,000 cheques that had not reached their destination. He was quite panicky. So now I meet the people Tony was worried about. It's you, you and you and the many others. How do you see the role of the ministry and the workload when you factor all these things in? Surely you must think about that. Do you have time to envision what will happen?

**Ms Lang:** I'm not sure I can indicate to you that we have done the environmental scan that I think you're alluding to in terms of all of those potential changing societal circumstances. We attempt, as much as we can, to forecast the requirements for social assistance over subsequent years and we factor in a number of things like economic factors etc with our colleagues over at finance. I think it's very hard for any of us to be able to speculate on what would be the changing demands over a long period of time, because circumstances alter so fundamentally the circumstances of the province's economy and immigration.

As you referred to and as you know, the government in Ottawa makes immigration policy, so to a large extent we do not have control over what those decisions may be and how those decisions may impact. I think it's our task as public administrators to be able to advise the government and respond as the circumstances change.

**Mr Pouliot:** I'm going to ask you a difficult question but, I must say before I express it, only from the point of view of demographics, there is nothing other than my curiosity. Let me preface by mentioning what I had started to say last week. Some people will say "perennial and residual," but that's not the premise from which I'm expressing the following.

If I were to study welfare recipients over the past 10 years — let's say I reach the airport and I'm going to pay you the compliment of my visit, Canada, on a permanent basis. I want to become one of yours. Is your clientele made up of first-, second-, third-generation Canadians? Is there a study, just to look at it, to help people? Am I more likely to be on welfare if I'm educated? Am I more likely to be a recipient if my parents were? If I come from another magnificent land, my country of birth, am I more likely to have a support system in place to welcome me at Pearson? When I reach Pearson, where am I likely to be from in 1950?

All that database, those stats, can help in formulating some policy. It's prevention. But more important, it's the human dimension. It's helping our sisters and our brothers. Really, nothing else matters. It's the essence of life. What database, what records do you use? Sometimes I read a little bit about this and a little bit about that, but I don't have in my hand a whole range of statistics analysing in depth the likelihood.

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**Ms Lang:** I don't believe we have the sort of comprehensive study that you're alluding to in terms of the changing profile of welfare recipients over the last 10 years, but we have on occasion completed analyses, for example, the age profile of individuals on assistance or the educational levels. There have been studies done on those kinds of factors, but the comprehensive nature of a



review that you're referring to and using that to project future demands and future needs I don't believe has been done.

**Mr Beaubien:** I had two questions, but my friend Mr Pouliot touched on the subject matter with regard to employment insurance and immigration. My question would have been somewhat abbreviated, but I got the answer from the deputy minister, so I don't need to touch on this one.

On home repairs, apparently we spent \$1.9 million last year on home repairs. Home repairs are supposed to be for emergencies, am I correct? When would a fence around a property be considered an emergency?

**Ms Lang:** I'm not sure that it would be considered an emergency in the definition that we would see as an emergency. I don't know the circumstances of which you're speaking.

**Mr Beaubien:** I know a circumstance in my riding while I was canvassing and campaigning last year that in fact did get me a vote, because the neighbour was somewhat appalled that the social assistance system in the province would pay for a privacy fence in somebody's yard.

**Mr Pouliot:** May I answer?

**Mr Beaubien:** It gives me great concern because it says the audit reviewed a sample of home repair expenditures and made the following findings: "The majority of proposed repairs were not inspected to determine their necessity." I think this is a blatant example of mismanagement, misuse and fraud in the system.

Believe you me, this side of the government has a social conscience. Nobody has a monopoly on that. I have been involved with social agencies, being chairman of fund-raising, being president, and I do not mind, as I'm sure most of our members do not mind, helping people who need help. But I find it an insult, an abuse of the system when we have blatant abuses in the system like putting a fence around somebody's yard. The home was not even owned by the recipient. That is what is wrong with the system.

Coming back to the previous point, if the application is not done properly, we are wasting an awful lot of time chasing something that was done wrong. If it's done properly the first time, then we can allocate our time efficiently in delivering the proper service. How do we get this across? In 1992 that was a problem; in 1996 it's still a problem. Hopefully in the year 2000 it will not be a problem. What assurances can you give us that it's not going to be a problem in the year 2000?

**Ms Lang:** The only assurance I can give you is that we are making every effort through our welfare reform policies and the procedural changes that we're making to ensure that all of the resources that are available to us can be expended on the front end, where we determine, when someone seeks eligibility for social assistance, that they truly are in need of that assistance. Our efforts and the actions we've taken over the last year and a half would suggest that is a very significant change in strategy that we're attempting to put in place with our system. But to be perfectly honest, we also need to reform the legislation and do all the other things that will allow us the benefit of regulation and procedural changes to make that workable for our staff.

**Mr Beaubien:** I want to put it on the record that I do not mind feeding the children, clothing the children, housing the children, but I object to providing a fence. I think there has to be some responsibility somewhere so that at least it is on the record that we are not opposed to the social programs this province provides, that we are concerned about the children. But there has to be a level playing field, because if one neighbour is feeding his kid, is responsible for his family, and he sees the neighbour next door who's on social assistance putting up a privacy fence, like he tells me: "I can't afford to do it. Why should my tax dollars pay for that?" It's not good for a society as a whole, it's not good for the mentality. Maybe for some people it is, but for me it's not. It's just a statement. I'm done.

**Ms Lang:** I will ask Mary Kardos to simply outline for you what the home repair policy is intended to do.

**Ms Kardos-Burton:** In terms of home repairs, the intention of the policy — and the policies are actually quite clear that it is for urgent and emergency repairs. The types of examples are for plumbing repairs, patching of a roof, if there's been a fire, if there's been a disaster etc. What we agreed to in the response to the auditor was to reissue our policies and directives and ensure that our delivery sites are very clear on when home repairs are to be approved or not approved.

In terms of the issue around inspection, the auditor cited that some of our offices have used specialized expertise for inspection. That is a resource that is available to people. I think we want to work with our offices on the cost-benefit of that and use that when that is required.

**The Acting Chair (Mr Gilles Pouliot):** Thank you kindly, M. Beaubien, a distinguished member of your caucus, an additional four minutes at your convenience. You're satisfied with the fence issue, M. Beaubien? You have more time if you wish.

**Mr Beaubien:** I will reserve my comments on this one, Mr Chairman.

**Mr Dominic Agostino (Hamilton East):** I just want to go back to the issue of staffing as it relates to new programs. First of all, we talk about numbers and the drop in general welfare assistance. Can you relate to us what the number in family benefit recipients had been in Ontario, how dramatic that drop has been? FBA recipients rather than GWA.

**Ms Lang:** Since what period of time are you —

**Mr Agostino:** In the last year.

**Ms Lang:** Do we know the caseload reduction?

**Mr Costante:** From June 1995 to September of this year there have been 17,000 fewer cases on FBA, which is about 50,000 people.

**Mr Agostino:** So when we talk about a drop, the 180,000 or so the government refers to, we're talking about primarily general welfare assistance. I'm just having a difficult time making the correlation. The auditor's report refers to staffing levels in FBA, family benefits, being too high. The response of the government has been, "Well, the numbers have dropped; therefore the caseload has dropped."

When you isolate and you talk about 17,000 cases in the FBA system, that seems to be a small drop in the



percentage of the overall caseload and would have a small impact on the numbers. Again, I'm separating GWA and FBA. I understand the difference between the drop in one area and another. Does it still hold in your view that with the 17,000 overall drop in cases in the past 16 months, that would have a significant impact on the caseload of the average FBA worker in this province?

**Ms Lang:** It certainly does have an impact on the caseload. If there is a reduction, then it frees up time for individual case workers to do some of the additional work that they need to do, yes.

**Mr Agostino:** But again, when you look at the number of FBA workers you have across Ontario and you look at 17,000 cases, what would be the average reduction in caseload per worker?

**Ms Lang:** Potentially 20 to 25.

**Mr Agostino:** Which is insignificant compared to numbers — I guess the point I'm making is that I think we have to be careful not to confuse the overall drop, with the auditor's report referring to the numbers and the caseloads in family benefits, and the drop in family benefits has been small compared to the drop in GWA. So I don't think it's as simple as saying, "We've addressed the caseload problem, because the numbers have dropped." I can tell you that in my own community of Hamilton-Wentworth probably the average case worker at FBA handles a caseload of about 450. So the numbers have not dropped, and frankly I don't think that issue has been addressed. I would like to see us detail a little more how that has actually impacted on the caseload.

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I want to get to the issue of staffing at the GWA level and the programs which were introduced. With the introduction of workfare, which will commence in 20 municipalities across Ontario, I presume that the workload per GWA worker will increase as a result of the fact that now the type of planning and the type of case management will have to change dramatically. If you all of a sudden have a caseload of 120, and 70 or 80 of those clients are employable, you now have the responsibility to find a placement and to monitor and follow up on the placement of those 70 or 80 of your clients who are employable.

Do you feel, with the current caseload ratio at the GWA level, that the average case worker will be able to handle the increased work that is required as a result of their involvement with workfare, or are you willing to allocate additional resources to ensure that they are able to handle the cases?

**Mr Costante:** I guess there are a number of answers. The caseload ratios at the municipal level, as you know, Mr Agostino, are, we estimate, in the range of 110 to 135. It varies community by community. Historically, I think municipalities have put a lot more time and effort into employability anyway.

We think, with the increased funding and resources available through the Ontario Works initiative, they will be able to cope with this. Because this is a very strong emphasis on trying to bring income maintenance and employability together, yes, many municipalities are having to do some shifts in how they do business and reorganize what their case workers do. Many of them are

introducing specialized services, specialized workers to help the case workers. Some of them are going to be looking to community agencies to help them with the community participation aspect. I can see some of them contracting with community agencies also to help in their efforts to get people with skills back into the workforce.

**Mr Agostino:** I just find it hard to imagine a case worker — and the intensity for a case worker at the GWA level is significantly greater, obviously, than at the FBA; that's why the numbers are so different. But the same case worker who now may be handling 10 or 15 training or placement or upgrading programs and so on that the various municipalities carry out will now be able to handle 60, 70 or 80 of those programs. I guess time will tell. I think one of the weaknesses in this is that the management won't be there.

Just to follow through on that workfare aspect, what is the number of expected placements that those 20 pilot projects will result in at the end of the first year, based on the business plans that have been submitted to you and approved by your ministry?

**Mr Costante:** I don't have that information. Right now we have nine approved business plans, I believe, as of last week. I'm not quite sure that's increased this week; there were four or five more that were near approval. We could likely provide you the information on the first nine approved ones. The rest are still in the negotiation phase and those numbers could change.

**Mr Agostino:** Just to go back, when the 20 pilot projects were chosen initially —

**Mr Costante:** Sorry, there are 20.

**Mr Agostino:** Yes. When the 20 pilot projects were chosen initially, was there not an expectation for those 20 pilot projects to submit to you at that point what their expected placement targets would be as a result of the workfare initiative?

**Mr Costante:** That's correct.

**Mr Agostino:** Would you not have that information available, based on the original submissions made to your ministry?

**Mr Costante:** The audit today, Mr Agostino, is on FBA. Our Ontario Works initiative is being done through GWA, so I did not bring those statistics with me.

**Mr Agostino:** But you can provide for me, then, the initial job or placement projections submitted when the 20 pilot projects were approved by your ministry?

**Mr Costante:** No.

**Mr Agostino:** You can't?

**Mr Costante:** There were no initial projections. Our position has been that the individual municipalities will tell us what they are able to do, given their local circumstances, so we can tell you what is in the approved business plans.

**Mr Agostino:** What you're telling me is that there was an approval of 20 pilot projects for workfare without those pilot projects having to give any outline or business plan as to what they plan to achieve at the end of the first year. So you chose communities X, Y and Z, but you had no idea, or the ministry had to idea how many placements were to be in place as a result of those communities you have chosen.

**Mr Costante:** That's right. We asked those communities at that point in June to develop their business plans



and give us that information, and that's what they did over the summer period. That's why we can now report on it, sir.

**Mr Agostino:** I find it just somewhat amazing that we would approve a \$120-million program in its first year, choose communities, but not ask those communities, when we chose them, to tell us what their projection would be. I would appreciate, if I can, a question just to follow up to make sure —

**The Acting Chair (Mr Bruce Crozier):** No, I'm sorry.

**Mr Agostino:** Can I be assured that I can get the nine communities that have been approved?

**The Acting Chair:** You can speak to them after perhaps.

**Mr Agostino:** Just a clarification; It's not a question. Can I get the nine that have been approved?

**Mr Costante:** I believe we can provide you with those numbers, yes.

**Mr Agostino:** Okay. Thank you.

**Mr Pouliot:** I too share the appalling and shocking revelation, Mr Agostino, that little was done before workfare pilot projects were introduced. If I were to ask you the data, the studies that were prepared — because general assistance is your ministry. When we talk about a transition to workfare, you would have had that research done. You would know the philosophy prior to any pilot project. You would attach a timetable to it. I mean, you would get real, and all that would be relevant. Then you would march alongside the data and go to a stage of implementation.

I get the impression that a lot of it, and I'm not asking you to comment on that, was by way of political expediency. When you do this to feel the pulse, I feel it borders simply on political crassness — nothing short of that — and it's shameful, shameful, shameful, in order to gather those extra votes so you can have power in lieu of government with sensitivity.

I have a question. You've mentioned enhancement of a database and you hired a consultant. How much do you pay those people? A brief summary of what they do. What is it they're going to do? Before you talked about data enhancement. What does that mean?

**Ms Lang:** I'm not sure that I understand the question, Mr Pouliot. Could you —

**Mr Pouliot:** You've talked about a consulting firm.

**Ms Lang:** Oh, I'm sorry. This is the replacement of our technology system. I'll ask Kevin to comment on that.

**Mr Costante:** Essentially we've not finalized the contract for the replacement of CIMS-MAIN. I believe it's the Andersen contract. The contract is not finalized. We would hope it will get finalized some time this fall, so at that point that information will become public.

**Mr Pouliot:** This is this fiscal year, sir, with respect?

**Mr Costante:** Sorry. There are two phases to our technology initiative. The first phase, which is about \$100 million, was to essentially rewire our offices, put the personal computers to the case workers, do whatever changes we needed to do to the desks. That is likely a three-year project. We're partway into it now. We hope that would be completed next year. That money is being

expended for ministry staff, for the cost of the computers. We have several firms helping us with that. Systemhouse is doing a lot of the work to restructure the offices, and we also have a contract, which I believe is a government-wide contract, with a firm called MFP, which I believe provides our hardware.

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**Mr Pouliot:** That's big, \$100 million. Is that going to make you more efficient? For instance, will you be able to preferably put a number on the rate of attrition and say, "Okay, now that we have this state-of-the-art, the latest technology at our disposal," like Mr Beaubien has said, maybe you won't need as much personnel? How will your job be made easier?

**Ms Lang:** It is our belief, Mr Pouliot, that our case workers should be spending their time interacting with the clients and not completing paper. The extent to which we can use the technology that's available to us now and the benefits of automation I think free up our staff to be able to carry on the work that's associated with assisting individuals to get back into the workplace.

**Mr Pouliot:** By way of conclusion, thank you very much. I've learned a lot and it's in large part because of your expertise. I appreciate not only the courtesy but the knowledge you have brought forth.

**The Acting Chair:** We have a little less than nine minutes left until our 12 o'clock adjournment. Are there questions from the government side?

*Interjection.*

**The Acting Chair:** Don't force it. If we get out of here nine minutes earlier, you won't mind, will you?

**Mr Hastings:** They're not going to be back again for umpteen years.

**The Acting Chair:** Next week we have them back again, on a different section, but depending on the Chair that day, who knows what latitude there might be?

**Mr Hastings:** My request would be whether the deputy could respond directly with statistical material, not a truckload, with very targeted responses to all the observations the Provincial Auditor has made in his 1995 report. Is that too big a task?

**The Acting Chair:** Do you understand what Mr Hastings is asking the deputy to do? I just want to make sure we understand what —

**Mr Hastings:** I'd like to ask Mr Peters if there are specific things out of the transcripts he's looked to whether the committee is getting sufficient response back on the issues highlighted in his 1995 report.

**Mr Peters:** I think you mean the 1996 report.

**Mr Hastings:** The 1996 report.

**Mr Peters:** What I do a little bit is I keep a little bit of score — I hope you don't mind that word — on the questions the researcher provided to the committee as to whether they have been raised or not, and just very quickly to summarize, I think most of them have been asked, but just very quickly, if you want to refer to the document, page 10 is the first place where there were questions raised. They dealt with the progress made from 1992 to 1996, and I think that has been to some extent addressed.

There was the question about whether the automation will guarantee more checks and balances in the system and I think that has been answered. That is still, if I



remember the answer, in a bit of flux in terms of the RFP just having been given, but a lot of work being done.

The current status of agreements with other ministries and other provinces and the federal government: There is potentially one that maybe the ministry could provide us with, not now, with a short — way back when this committee asked my office to prepare a document about the information that was turned over to the central collection services with regard to overpayments, there was one particular major issue being dealt with, and that was to what extent the province could reach an agreement with the federal government to latch on to tax refunds from Revenue Canada and tap into that tax system. Because it's coming a little bit out of left field at this stage, I wouldn't expect an answer here, if you're prepared to answer as to where that stands.

**Mr Costante:** I can give you a partial answer anyway, Mr Peters. We have worked with our colleagues in the Ministry of Finance. We've approached the federal government to do that. They've shown some interest. Their interest, however, to attach it to tax refunds would only be as a last resort. They would want us to go through a very thorough process and use that only as a last resort. I can give assurances to the committee here today that we are pursuing that actively with our colleagues in finance.

**Mr Peters:** More than we had expected. Do you want to hear more of the questions? I'm not sure. I continue to refer to the document that the researcher prepared for the committee. I believe page 14 was the next item. Correct me if I'm wrong, Elaine.

**The Acting Chair:** I have one more member's question.

**Mr Peters:** Oh, you do? Then please proceed with that.

**The Chair:** Would the committee agree? Mr Agostino said he had one short question as a wrapup. Is that okay?

**Mr Agostino:** Thank you, members, for one minute here. Just a question to the administrators at the end of the table: The auditor's report talks about accountability a great deal, different aspects of the thing. Can you outline to us — there was a change made. It seems like a simple thing, but administratively, when the welfare numbers were released every month, initially when this government took office, they were broken down by categories. It had the unemployable, the employable, seniors, disabled and so on when you looked at the category of welfare and the drop.

About a year ago it was changed so that the only numbers that were reported were basically the overall, with some other categories, but particularly the categories that referred to the disabled and seniors were eliminated, so the public or the media or the curious members of the opposition could no longer monitor how many seniors or disabled were still receiving welfare. Can you advise me

if that was an administrative change, if it was a government policy change and what the rationale would be for no longer including what had been a long-time tradition in releasing that information: the number of seniors and disabled who were on welfare?

**Ms Lang:** I'm actually not entirely sure how we made that decision. It may have been related to the ability to get that information out monthly and our ability to put it out in a clean and concise way. I'd have to go back and assess how that decision was made.

**Mr Agostino:** Can I ask for that to be looked at? Let me suggest that what had happened was clearly that there was criticism in the first three or four months as a result of seniors and disabled staying on the welfare system, and all of a sudden those numbers disappeared. It was not difficult in the previous five years or 10 years for that information to be released and it wasn't difficult in the first three months. I just find it hard to understand that all of a sudden it would be difficult to release that information. It was simply a category that said seniors, X amount; disabled, X amount.

I urge the deputy minister to look at that again and try to find a mechanism for ensuring we don't have to go through order paper questions, as a member of the Legislature, to get information that had been available for years. It's causing more work for your staff, because I'm going to keep doing that every month. If you could just simply release it the way you normally used to do it, it would make everyone's life a little simpler.

**The Acting Chair:** I think the deputy minister is about to suggest something.

**Ms Lang:** No, I said we would follow up.

**The Acting Chair:** Okay, good. We are at 11:59. We could use one more minute if Mr Peters has anything else to say. I kind of cut him off. I'm sorry, I don't want to do that to the Provincial Auditor.

**Mr Peters:** That's fine. I think we have the questions, and there are the two data pieces still to come from the ministry. I believe the accounting for the 1,000 new hires is one of them, and I think, Donna, you mentioned one other piece that was still outstanding.

**Clerk of the Committee (Donna Bryce):** Yes, that was the report that's being issued in the fall. Once it's released, it will be tabled.

**Mr Peters:** The report on the success of the 1-800 line I believe was the other item that was forthcoming in the fall, was forthcoming in the next few months.

**Ms Lang:** Yes.

**The Acting Chair:** On behalf of the committee, and to the extent that we've been reviewing section 3.04, I want to thank the ministry staff for the last couple of weeks, and the committee for their cooperation. We look forward to seeing you next week when we will review section 3.05.

*The committee adjourned at 1201.*











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*\*In attendance / présents*

#### **Substitutions present / Membres remplaçants présents:**

Mr Harry Danford (Hastings-Peterborough PC) for Mr Gilchrist

#### **Also taking part / Autres participants et participantes:**

Mr Erik Peters, Provincial Auditor  
Mr Dominic Agostino (Hamilton East / -Est L)

**Clerk / Greffière:** Ms Donna Bryce

**Staff / Personnel:** Ms Elaine Campbell, research officer, Legislative Research Service

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Première session, 36<sup>e</sup> législature

# Official Report of Debates (Hansard)

Thursday 7 November 1996

# Journal des débats (Hansard)

Jeudi 7 novembre 1996

## Standing committee on public accounts

Annual report,  
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## Comité permanent des comptes publics

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STANDING COMMITTEE ON  
PUBLIC ACCOUNTS

Thursday 7 November 1996

## ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

COMITÉ PERMANENT DES  
COMPTES PUBLICS

Jeudi 7 novembre 1996

*The committee met at 1038 in room 228, following a closed session.*

1996 ANNUAL REPORT, PROVINCIAL AUDITOR  
MINISTRY OF  
COMMUNITY AND SOCIAL SERVICES

**The Vice-Chair (Mr Mike Colle):** Good morning. Deputy Minister Lang has been with us before. Could the other presenters please identify themselves to the committee. Give your name and role.

**Ms Sue Herbert:** I'm Sue Herbert and I'm the assistant deputy minister for program management.

**Mr Brian Low:** I'm Brian Low. I'm the director of the development services branch.

**Mr Bruce Crozier (Essex South):** Mr Chair, I always have this little question that I never know whom to ask, but how many other people here are ministry staff people?

**Ms Sandy Lang:** Four.

**The Vice-Chair:** Would the deputy minister like to begin?

**Ms Lang:** We're returning today to speak to the committee about the auditor's report on the ministry's payments in support of supportive services for individuals with developmental disabilities in our developmental services sector.

As I begin today, I would like to reconfirm that we believe, as a ministry, that the auditor's review of this program area is in fact a constructive process that is already leading to improvements in service and accountability. In response to the findings of the report, we have developed a comprehensive work plan to address the issues that it raised for us.

Today, I'd like to begin with an overview of this program area and then address the specific recommendations that the auditor made and provide you with an update on our work plan to deal with those recommendations.

The developmental services program supports approximately 50,000 people across Ontario who have specialized needs. This is the second-largest program area in the ministry after our social assistance system. Our ministry's role is to provide the policy, legislative and fiscal framework for the developmental services system and to manage an affordable and effective system for children and adults with developmental disabilities.

As I'm sure you are aware, it has been the policy of successive provincial governments to try to serve people with developmental disabilities as close as possible to their own communities. In July of this year, the minister announced the next step in the ongoing move towards

community-based services. Over the next four years approximately 1,000 people with developmental disabilities will move out of the remaining six ministry-operated facilities and into community settings. This will result in the closure of three of these facilities in the next three years. This long-standing move towards community living is one that is happening in many other jurisdictions. It has been a worldwide trend for some years now.

In Ontario, development of community-based services has been largely led by families of people with developmental disabilities who formed associations for community living and created agencies to serve people with special needs. These agencies are directed by community-based boards made up of parents, professionals and other knowledgeable and committed citizens. These community boards of directors are responsible for the governance of the agency; that is, they are expected to exercise authority, direction and control over their particular organization. The ministry respects the responsibility of these community boards to manage programs and at the same time also ensures the boards are held accountable for contracted services and supports.

To give you an indication of how the picture has changed over the last two decades, in 1975 only 4,600 people with developmental disabilities were served in community-based settings. As a result of our province's move over the last 20 years towards community living, today about 50,000 of Ontario's people with developmental disabilities live in community settings and participate in programs at the community level. A relatively small number of people, slightly more than 2,000, continue to reside in ministry-operated facilities. As I mentioned, we'll be moving 1,000 of those individuals out of the settings over the next four years.

Community-based services have grown to the extent that now the ministry works closely with some 400 community-based developmental services providers across the province. In his report, the auditor has provided us with recommendations of how we can improve our practice in our ongoing work with these community agencies.

Before I turn to the specifics of the auditor's report, I would like to speak in general terms about the nature of supportive services, which was the subject matter of the audit. They are intended to be individualized, responsive, flexible and available in a timely manner to respond to a variety of needs of individuals. This is not a one-size-fits-all program. Rather these variable factors represent ongoing challenges for service delivery and auditing, and we appreciate the auditor's assistance in providing us with advice on how to meet this particular challenge.

The auditor reviewed the supportive services line within the ministry, which includes our community



support programs for adults, our community support programs for children, special needs programs, sheltered workshops, supported employment and homes for special care. The provincial audit focused on the first three components, that is, community support services for adults and those for children and special needs programs. The report concentrates on the fiscal years 1993-94 through to 1995-96. Expenditures for supportive services were approximately \$371 million in 1993-94 and have increased to \$387 million in 1995-96.

Just to give you an appreciation of the numbers I've just mentioned, the services we are talking about today include a wide range of supports. Here are a few examples: providing personal support for daily living; training in life skills; behaviour management training; respite care to provide relief for parents and the primary caregivers; assessment and counselling and assistance in developing life plans; day programs; sheltered workshops; and infant stimulation programs for infants with developmental delays.

While I have talked earlier about the challenges of delivering the types of support described and the equal challenge to applying traditional audit approaches, we remain strongly convinced that the individualized approach to planning and delivery is key to our future and provides value for money spent.

In his work, the auditor had two objectives: to assess whether ministry transfer payments to agencies are adequately controlled and to assess the adequacy of the ministry's monitoring of services and supports provided. As an overall observation, the auditor said that, "The ministry's administrative procedures did not adequately ensure that transfer payments to agencies were reasonable, or that services purchased were monitored to ensure that the ministry was receiving value for money spent."

We've already begun to address the issues raised in a number of areas where the auditor has recommended corrective action: funding decisions, historical inequities, reasonableness of cost of similar programs, recovery of program surpluses and service contracts.

Ministry activities include our ongoing work on a developmental services accountability initiative started a few years ago, our ministry-wide initiative on governance and the provincial work plan for special services at home. The ministry continues to clarify the accountability relationship between the ministry and the boards of directors responsible for transfer payment agencies through a very new consolidated service contract introduced in the 1995-96 fiscal year and new requirements implemented in this fiscal year's service contracts.

I will describe other ministry actions in more detail as I turn to the specific recommendations now of the auditor's report and describe the progress we've made to date.

The auditor addressed specific themes in his report: administrative procedures, accountability framework, the monitoring of services provided and the special services at home program. I'd like to address each of these themes in turn, if I could.

On administrative procedures, I want to talk about those recommendations. In his report, the auditor said, "The ministry should ensure that all agencies include

sufficiently detailed and accurate information in their program budget submissions and submit them for analysis on a timely basis." The auditor said that this should be done "to help provide an appropriate basis for making funding decisions and to help ensure that actual expenditures are appropriate."

In the 1995-96 fiscal year, the ministry introduced a revised generic service budget submission package which will ensure that agencies include relevant information that is required for the ministry to make informed decisions in the budget process. I would like to note that the government's estimates process influences the time frame for the negotiation and approval of agency budgets. The ever-green clause that we have in our legal agreements allows agencies to continue to operate until a new budget is negotiated.

The auditor also recommended that the ministry should take into consideration a program's prior years' financial performance and changes in demand for program services in order to ensure that annual funding decisions are appropriate. Wherever possible, the ministry tries to consider a program's prior years' financial performance and changes in demand for program services when making annual funding decisions.

The auditor also said that to ensure program funding is reasonable and consistent, the ministry should analyse and compare the costs of similar programs across the province. Significant variances in costs should be explained and justified. The ministry is aware that there is a range of funding for individuals with similar needs and that there is a need to rationalize service costs in support of individuals. We have been developing and testing an assessment tool to measure how resources are currently being used for individuals in accommodation programs. The information collected will lead to funding ranges being established for categories of residential support through the winter of 1996-97.

The auditor also recommended that to ensure equitable treatment and consistent compliance with legislation, all group homes for people with developmental disabilities should be funded under the same legislation. We recognize that the current Homes for Retarded Persons Act is no longer adequate by itself to support developmental services operations. We are taking steps to clarify and simplify the consistent application of legislation, regulations and funding mechanisms.

The auditor said that to improve the effectiveness of the expenditure reconciliation process in supporting funding decisions, information submitted by agencies should be sufficiently detailed to permit the reconciliation of program expenditures and approved budgets with the audited financial statements; and the reconciliation should be reviewed and approved, and recoverable surpluses, if any, should be recovered on a timely basis by the ministry.

We have developed a recording and tracking system to monitor the annual program expenditure reconciliation, fondly known in the ministry as APER, a process which will facilitate the provision of information by local management to our corporate offices of the ministry. For this sector, as of November 1, 1996, more than 99% of the APERs had been completed for the 1992-93 and



1993-94 fiscal years and more than 98% of the APERs had been completed for the 1994-95 fiscal year.

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On the accountability framework, the auditor made two recommendations: (1) The ministry should strengthen its implementation of the Management Board directive on transfer payment accountability in order to hold the transfer payment agencies accountable for their management of public funds; and (2) the ministry should review the governance structure over agencies with a view to clarifying the boards of directors' responsibilities and their accountability for the appropriate use of funds.

The ministry has tested various contracting mechanisms from the developmental services accountability initiative which, once refined and implemented, will address accountability issues in transfer payment and directly operated operations.

Full implementation of the accountability initiative will result in the setting of expectations, improved contracting mechanisms, improved reporting and monitoring mechanisms and corrective action taken by the ministry if appropriate. For developmental services, this initiative will be phased in starting early in the new year.

Through the accountability initiative, the ministry will contract for results to be achieved with public funds invested at the client level as well as at the level of service provider. For instance, agencies will be expected to contract for services or supports with individuals. The individual support agreement will identify the supports provided, the associated costs, who is responsible for providing this service, and time frames for completion. Governance policy, which is currently being drafted, will clarify the ministry's expectations of boards of directors for all ministry-funded programs.

The auditor has provided us with several recommendations to improve how we monitor services delivered by our transfer payment agencies.

First I'd like to address the recommendations regarding program placement for individuals. The auditor said that to ensure individuals receive cost-effective services, the ministry should define appropriate levels of service to be provided to individuals and establish criteria for and monitor program admissions.

The ministry is developing and testing an assessment tool to measure how resources are currently being used for individuals in our accommodation programs. Using the resulting information, we will establish funding ranges for various categories of support. The ministry, in the context of its governance initiatives, continues to set the expectations that transfer payment agencies develop program placement policies which are in compliance with government legislation.

Turning to the issue of service quality, the auditor said that to ensure that it is receiving value for the money spent, the ministry should establish acceptable standards of service and criteria for evaluating service quality and on a periodic basis evaluate the quality of the services provided. The ministry has taken steps to ensure that it is receiving value for money by implementing the developmental services accountability initiative. This initiative will result in improved service quality, service standards, a governance policy and a review process. Ministry

standards will set out minimum expectations of quality and practice, will advise service providers of their responsibilities when providing a service and will guide ministry staff in monitoring the services.

Another initiative under way entitled the quality of life study will provide valuable information to the ministry on whether policies and services principles are having the intended effect of improving the quality of life for individuals who receive services.

I would like to now turn to the last specific theme addressed in the auditor's report, which is the special services at home program. The auditor made recommendations in several areas: eligibility, funding approvals, program duplication and administration fees.

Regarding eligibility, the auditor said that to ensure and demonstrate that only eligible individuals receive supports, the ministry should verify information provided by applicants, adequately document the assessment of each applicant's needs, and require recipients to report changes in their circumstances which could affect their eligibility.

The ministry's response is that documentation by a registered psychologist or a physician is required at the time of initial application to substantiate the presence of a developmental or physical disability. The ministry has procedures in place to ensure that eligible individuals and families receive funding from special services at home at the time of application. Additional verification of application information is completed on an exception basis.

The auditor said that to ensure that funding decisions are equitable, the ministry should clearly document both its assessment of the factors considered in the funding decision and the basis for the individual funding levels approved, and ensure that individuals with similar needs receive similar levels of funding within and between area offices, as is required by the program.

In 1995-96, the ministry introduced changes to ensure fair and consistent decision-making for all applicants. Families can expect similar treatment and support across all areas. Reapplications will receive the same priority ranking as new applications. Families are expected to use other resources that are available in their communities before accessing special services at home funding.

Looking at program duplication, the report recommends that to streamline program delivery and ensure the consistent treatment of all applications, the ministry should fund similar services under one program with consistent eligibility requirements. Regarding this point, the special services at home program offers support to any eligible family, subject to available resources. The handicapped children's benefit is a benefit which is income-tested and acts as a safety net for low-income families. The two programs can be used to complement one another to support a family with a child with a disability.

Regarding administration fees, the auditor said the ministry should maximize the cost effectiveness of the program by making every attempt to limit administration fees to the 5% to 10% funding range noted in the draft procedures manual. I want to assure you that the ministry is taking steps to ensure that administration fees are kept to the 5% to 10% funding range, as recommended.



In closing, I want to again express the ministry's appreciation of the work done by the Provincial Auditor, this time in relation to supportive services. We believe the services we provide to people needing these programs are of a high standard. However, we also recognize that we can be benefiting from continued improvement.

Thank you, Mr Chair. We would be happy to answer any questions.

**The Vice-Chair:** Thank you, Deputy Minister. I'll start with the government side. I don't know if you'd like to make any comments.

**Mr John Hastings (Etobicoke-Rexdale):** In your presentation about this whole area of supportive services and dealing with the developmentally handicapped, the ministry has headed down a roadway which everybody else is going down, deinstitutionalization. Can you provide specific documentation as to how effective this particular roadway is in terms of affordability, cost-effectiveness, customer satisfaction, consumer choice and all those things you talk about in your accountability framework?

I've had two constituents come to me in the last year over their children — they are young adults now — in the autistic area. The particular agency that was dealing with them essentially told the lady — this is the mother of the daughter — "This is where your daughter is, and if you don't really like it then I guess you can take her back." It seems to me that's not just an isolated case either. I don't want to name the agency.

I have a whole set of concerns around this inevitable, inexorable push where it seems the only way you can go is to deinstitutionalize everybody because everybody else is doing it, because that's the literature. I have a major, major reservation as to whether that's the route to go when you have properties available that you have focused clearly in your mind that are institutionalized when in fact there are components within the institution which operate in a very community-based setting and have the potential for that even if they aren't formally doing it. So my question is the whole philosophy and whether it's the best way.

What are you going to do in your business plan with young adults who are now in their 20s and 30s, who are autistic, as an example, or other categories, where they're completely out of control by their families, where the families can take them on a very limited basis? Because if you have a gorilla in your home — I've seen a couple of these guys. They're bigger than me, and when they decide they're going to do something, you just become a feather, and the families have had their places completely or almost destroyed.

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Those are dramatic circumstances in those cases, but it's this whole question that we seem to think that community-based is the only route to go, there's no other alternative, and if that's the route we're going, where's your accreditation? Where's consumer choice for people who don't like the one agency they've been assigned? Is there another one? Probably not.

**Ms Lang:** I think there were a number of questions there, Mr Hastings, and I'll attempt to respond to them as I understand them.

In terms of the direction for deinstitutionalization, I think we have very clear assurance from the government of the day and previous governments that this is a preferred policy direction, and certainly there has not been a change in the thinking that I'm aware of.

We have been able to, over the years, provide very good information about the cost-benefit of this strategy and this direction, and I think it's fair to say that as a province we have enjoyed tremendous benefits from community-based programs and downsizing of our facilities. When we closed out the facilities over the last several years, we were able to redirect a significant amount of money not only to provide services for those individuals leaving the institutions, but also to enhance services in the community for other individuals who are in need of supports, who could no longer live at home with their parents.

We also have some preliminary results from our quality of life study, which was commissioned I think in the late 1980s or early 1990s to assess the impact of community living on those individuals who have left institutions. I can indicate to you that the preliminary results would suggest that the quality of life has been enhanced for those individuals who have left institutions. We are continuing to monitor that research, and the research will hopefully in the next short while be able to empirically substantiate that finding.

I think there is some very clear evidence that individuals do benefit from a move to community living. We have a very strong indication from many parents across this province that they do not want their sons or daughters to live in institutions. As a matter of fact, the entire movement to create community-based services emanated from families. The associations for community living in this province were set up by parents who did not want their only option for their children to be an institutionalized option. Over the years they have made a very strong case, and continue to make a very strong case, for a range of community service options for their sons and daughters.

I think we have seen, certainly in the time that I've been around, a very broad range of supports and services created in the community to respond to a significant range of needs. No longer are we simply providing one or two options. When institutions were originally closing and we were moving people out or not placing people in there, the only option that parents had was a group home and a workshop space. I would argue quite strenuously that this has changed dramatically. The range of community-based services out there and the degree to which they can respond to a significant range of needs is quite amazing, and I do see that continuing to be the trend certainly in Ontario and certainly across North America.

**Mr Hastings:** You don't convince me 100% on a lot of those points. I guess I would just leave you with the thought that with all due respect to the Association for Community Living, with which I've had some contact, they do not speak for all parents in this province when it comes to the future of their sons or daughters, especially those who are now in their 60s, 70s and 80s. Those families — there's nobody around. I don't know what



you're going to do with that group of individuals over the next decade as you go this inexorable other route.

The final point I'd like to make is, when can we expect that there will be a real system of accreditation or consumer choice within agencies, even for all these families who love going this other route, so that when one agency can't seem to handle complaints, consumer dissatisfaction, you will have another agency with similar services available to fulfil that particular family's needs? Right now they're straitjacketed in most instances, I believe, especially in urban areas. I don't know what's going to happen in the rural areas, where the choice simply isn't there.

**Ms Lang:** I can respond in two ways to your question, Mr Hastings. One is that with the introduction of individual service agreements in our contracts with agencies we are expecting agencies to contract with individuals and to respond in a very flexible way to the varying needs of those individuals. We are going to be setting out clear expectations that in their contractual agreement with individuals, they're clear about what they're going to provide and whether the individual is going to benefit from that service. That is one of the initiatives we have under way.

We are also in significant discussion with some of our umbrella organizations who are asking that we engage in some accreditation development with them. We are taking a look at the extent to which that could be put in place, not only for this sector but for a variety of community-based sectors. That is an active discussion that's under way at the moment.

**Mr Hastings:** The March of Dimes from the United States — my God, I'm not supposed to use that term; the Americans can't ever do anything well. They do have a very sophisticated model, from what I can see, that the Ontario March of Dimes is trying to readapt.

**Mr Gary Fox (Prince Edward-Lennox-South Hastings):** I certainly agree with what you said about the clients who have moved in the past because of the higher calibre they have. But at the same time, now you're dealing with a different group that you're trying to move out into the community.

In my particular case, and I'm one of these where it's being closed out, we have a village complex where there are recreational facilities, education, workshops. When you move those people out into the communities now and put them into the group homes, where are they going to go for these facilities, to be able to continue with the lifestyle they've got now?

**Ms Lang:** If I can comment a bit on our experience to date, because we have closed out many institutions, I would argue, Mr Fox, that we have also been able successfully to return individuals with very complex needs to communities as we have closed out facilities. What we have seen happen with many of those individuals is that they can either benefit from the resources available to the placement agency taking them or they are engaged in other community services. We do have a very deep and broad range of services in communities across Ontario now for individuals with developmental disabilities and individuals who could partake in those kinds of community activities. We have developed specialized

resources to deal with an ongoing range of needs of those individuals, and we would assume that as they move closer to their home community they will partake of those services available out there or we will be able to enhance some of those services to provide those supports to them.

**Mr Fox:** Who's going to pick up the cost of this? Are you going to transfer it over to education and put them in the classrooms that are out there now?

**Ms Lang:** The individuals who are moving out of our institutions are not likely going into schools because they are all well beyond school age. They will go into programs that are available in the community, whether they be day programs, whether they be behaviour management programs, whether they be programs available within the community settings the individual will be living in. It will depend very much on the needs of those individuals. The money that is currently used to finance the institutions will be redirected to those communities to support those individuals.

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**Mr Fox:** Can you give us the stats, which I have asked for now for a couple of months, as to the cost of doing this in relation to the cost that's there now?

**Ms Lang:** I would like to refer that question to Brian Low. I think he can give you that information.

**Mr Low:** With the initiative that we announced in July, which announced the closure of three facilities and the downsizing of three others, over the four-year time period we will see a transfer to the community of approximately \$67.5 million. Of that, a little over \$53 million is to be used to support the placement for people who currently reside in the facilities who will be moving out. That will support the placement. The additional resources that have been identified that make up the \$67 million will be available to address specific needs within the social service sector and within the developmental services sector as it's included in that. That's the overview of the initiative for all of the six facilities that are identified this summer.

**Mr John L. Parker (York East):** I would like to put forward a concern that has come to me from some of the people in my riding, and this picks up, in some degree, on the line of questioning my colleague Mr Hastings was pursuing with you.

We have a sheltered workshop in my riding; I represent the riding of York East. I'm speaking of I think 20 Overlea, where there's a sheltered workshop that functions quite well and deals mainly with young people with needs. The message I get from the parents of the young people in that sheltered workshop is that they are quite pleased with the work done there, with the support they receive there. It's a situation that's working quite satisfactorily for everyone involved, particularly for the young people who are in there. They enjoy what they do, they enjoy the community they have established within that workshop, and they get some support and comfort and collegiality out of being there together. That has become their community, and when we speak of community living, as far as the people in that location are concerned, that is their community. The point has been made to me that this is similar in other situations around the province.



The specific concern that has been expressed to me is that this level of support and assistance that is so beneficial to the young people in that particular workshop and similar environments cuts out a certain age. As these young people grow up and reach whatever the age is — whether it's 18 or 21 or what have you — the kind of facilities available to them are no longer in place. They are expected to graduate and move into some other level, presumably move out into the broader community, get jobs stocking shelves at Loblaws or something like that.

But it doesn't work, and the reason it doesn't work is that the people in question have developed a sense of comfort in the community they have come to know and then they are forced to face the adjustment of moving into another community. It doesn't work because they're not accepted in the other community they are expected to move on into. At best it's a forced fit and it requires a lot of cooperation by a lot of other bodies, which may be doing their best but aren't really equipped to handle the kind of needs these grown-up people have.

The other concern, and this is possibly the single largest concern, is that the parents who have taken care of the young people in the sheltered environment are not really in a position to look after these young people after they've grown up because the needs of the people with disabilities have increased as they've got older. My colleague Hastings has discussed some of those difficulties. It's one thing to look after a young child with needs; it's another thing to look after a grown adult with needs. And just as those needs increase and become more difficult to cope with, the parents have grown older and have less energy to deal with them. They find themselves less able to deal with the needs, they find that the needs are increasing, and the message they bring to me is that there are fewer resources available to them to help them cope with those needs.

I'd like you to respond to that. First, tell me if the picture I've put forward is an accurate one, and if it is, what steps might be taken to address that.

**Ms Lang:** If I can comment on the first part of your question, if I understand it accurately, I think you may be describing an education-based program where individuals may be registered and there until they're 18 or 21 years old, financed through educational programming.

Our programs providing sheltered workshop or day programs don't have an age limit, quite frankly. The individuals, as they are participating in those programs, can be a variety of ages: largely adults between the ages of 21, and in some cases they may be 65 or 70 years old. The workshops financed through the ministry are not in any way, shape or form confined to ages.

I'm assuming the program you've described may be an education-based program where the Ministry of Education, through the school boards, does provide educational resourcing to individuals with developmental disabilities up to and including the age of 21. I'm assuming that may be what you're referring to.

Once those individuals leave the educational programming area, we do have a range of options available to those individuals, we do have transition from school-based programs to adult services that are financed through our ministry, so there may be a variety of

choices available to those individuals. Some of them may in fact choose to go work in Loblaws, and we have over the years managed to create a number of available supports to individuals to be able to do that. We have a supported employment program which, through job coaching and other supports, can allow individuals to work in regular workplaces if they want to. Others may decide that they want to participate in sheltered workshops or day programs of some kind.

The other question I think you were raising was related to parents and the extent to which they can benefit from other services and supports once their sons and daughters get older. We are striving to address that as much as possible. We have, I think, a situation where many parents have chosen, for their own personal reasons, to have their sons and daughters stay at home, but those parents are aging and those parents are now feeling the need for some assurance that their son or daughter is going to be cared for in some way. We are struggling, with the capacity we have, to try to respond and address those needs, either through our community agencies or through individual supports to those parents until a more fully developed program can be available to their son or daughter. But it is a concern and it is an area that we are attempting to address.

**Mr Parker:** I appreciate your response. Can you help us out with any specific initiatives that are being undertaken to meet that particular need?

**Ms Lang:** The one area that offers us some opportunity is that as we move individuals out of facilities we will free up some resources. It is our hope to redirect those resources, and we are now looking at what priorities we want to address those resources to. Certainly the issue of individuals' parents who are aging, having sons or daughters at home and needing some assurance of support, is an area we are looking at.

**Mr Parker:** I might just close with this comment. I invite your response, but I'm not soliciting it. As a government, I think we have recognized the needs of our aging population. Certainly in our health policies, we are recognizing that as the population ages generally, that presents certain demands and certain needs on our system, and we are attempting to adjust our budgets to address that. In other ways we are attempting to address the needs of an aging population. In fact, Cam Jackson has just been given a new assignment to address specifically the needs of an aging population.

I would suggest to you that this might be another need of the aging population, that as parents who have been looking after children with needs age, there is a particular burden placed on them. As I was saying and as you've recognized, the needs of their aging child increase, the capacity of the aging parents to deal with those needs decreases as they age, and some parents have come to me and quite candidly said, "The day is coming when I'm not going to be around and I have to be concerned about who's going to pick up the ball when I'm just not here to look after my child." That says to me that it's important as a government, as we look at the needs of an aging population, that we not neglect that particular aspect of the needs of an aging population. I welcome your recognition that that's an issue that requires attention.



**Ms Lang:** Yes. I think we can assure you that that certainly is an area that we are mindful of. It has been a concern for us for a number of years. We have been able to address over time some of those needs, but they continue to be there and we are continually challenged to find ways to address them.

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**Mr Jim Flaherty (Durham Centre):** I'd like to address some of the concerns expressed in the auditor's report, the 1996 annual report, at page 77, dealing with monitoring of services provided, program placements for individuals. Dealing specifically with severely handicapped persons — and I know this isn't a simple subject and I may oversimplify it simply because there's a limited amount of time — my concern relates to the relationship between institutions and group homes; at-home living by persons with severe disabilities; the role of the associations for community living; the role of parents; the role of agencies which operate group homes.

Like other members, I see persons fairly regularly who are caught in this mesh — or are involved in this mesh perhaps I should say — and it's confusing to many. I'm also not convinced, and certainly the auditor is not convinced from what I read here, that there is an adequate level of assessment by the ministry of the appropriateness of programs for individuals with severe disabilities and auditing of the appropriateness of what's being spent on specific individuals.

For example, in my own communities that I represent in Whitby and Oshawa, I see individuals who are at home who are receiving very substantial funding with the same difficulty that Mr Parker raises about aging parents. I also see group homes which have tremendous support from those parents who are participating — they're dealing with children with severe disabilities — being run at lower cost. My first question, then, is to what extent does the ministry monitor the appropriateness of the program for the individual?

**Ms Lang:** Let me comment a couple of ways, if I can, Mr Flaherty, on your question, because I think you describe a situation where the system has grown up and evolved over time, and incremental growth has contributed to some confusion because we now have a very wide range of services out there, a number of new options that weren't available to parents and to individuals many years ago. As we have deinstitutionalized, we have created more and more organizations in communities to provide services, which has led, I think, to some confusion on the part of many parents and individuals about where they go to get service.

As a result of that, we are now engaging with the various organizations out there the notion of restructuring the service system so it makes sense to parents, and whether we can look at how we integrate access so that there is a single capacity to determine the range of service that should be available to an individual rather than having parents and individuals have to shop around to a whole host of agencies in a given community. It's conceivable that there could be 30 or 40 separate organizations in one community providing a range of services and it's quite complicated for parents to know where to go. We are engaging in an effort over the next little while

to look at how we might restructure the service system so it starts making sense to those individuals as they try to access a range of supports.

We are also attempting to put in place, as a result of some experimental work we've been doing, a new funding approach which speaks to levels of support, because as you accurately reflected, there is a wide range of funding levels available to individuals and it has been, to some degree, a bit haphazard. We want to bring some rigour to that; we want to bring some order to that. We are looking at a policy, through some research we've been doing that tries to define levels of care and associates financing with those various levels of care, which we hope to introduce into our organizations over the next couple of years if we can.

The third area is the extent to which the ministry monitors. We have a range of program supervisors across the province who are employed through our area offices and are charged with the task of managing the relationship with the community agencies and ensuring they are complying with our legislation. They do all the budget negotiation and, where licensing is required, they are significant in ensuring that the organization complies with the licensing requirements for those services.

So we have an infrastructure that tries to monitor as much as possible, but I think the real challenge for us now is to define the policies and the standards in a way that is in keeping with the system that has evolved over the last 10 or 15 years.

**Mr Flaherty:** Are you moving towards some sort of objective basis of needs analysis?

**Ms Lang:** As a matter of fact, what we're attempting to do is to define outcomes and to work with our organizations around how their services and the resources that are associated with their services are achieving outcomes that will benefit the client, so we are looking at an outcomes-based approach to managing that relationship as well.

**Mr Flaherty:** All right. And that would then relate to the cost-effectiveness of the program being proposed for an individual?

**Ms Lang:** That's right.

**Mr Flaherty:** I won't take much more time. With the associations for community living — this is a basic question which I probably should know the answer to but I'm not really sure of how it works. If parents are taking care of a child at home, is the funding direct to the parents or must they go through the agency?

**Ms Lang:** Actually, both circumstances could be possible. It is possible, through some of our special services at home program, that we are providing funding directly to parents if they have sons or daughters at home. There also may be some funding that goes to parents for services through the associations for community living if they have worked out an arrangement where they can provide supports to them or they can assist them, or an association for community living may be offering a program that the parent may be taking advantage of. It happens in a variety of ways at this point in time.

**Mr Flaherty:** Is the ministry inclined to simplify that, to choose a path?



**Ms Lang:** Absolutely. Everything we want to do is an attempt, as much as possible, to simplify, recognizing that we are dealing with a very broad range of human needs and we have to be able to accommodate that range of human needs. But clearly we need to simplify our relationship and be clear about the accountability.

**Mr Crozier:** A reference in the auditor's report on page 74 has been made to the Developmental Services Act and the Homes for Retarded Persons Act. You've said in response to a comment by the auditor that you recognize that "the Homes for Retarded Persons Act is no longer adequate by itself." When was that act first enacted, approximately?

**Ms Lang:** We believe some time in the 1970s.

**Mr Crozier:** And the Developmental Services Act, when was that enacted?

**Ms Lang:** Later in the 1970s.

**Mr Crozier:** So they've both been in place for approximately 20 years.

**Ms Lang:** Right.

**Mr Crozier:** When you respond by saying that you will "take steps to clarify and simplify the consistent application of legislation, regulations and funding mechanisms," since you recognize that one act is no longer adequate by itself, why wouldn't you take the initiative to look at both acts and take the best of both and combine them and come forward with an initiative that way?

**Ms Lang:** I think, in essence, that's what we will do. As we look at the policy changes that we are contemplating now and the need to introduce levels of support financing and a much more individualized approach to services, we will be examining all the legislation and coming back, hopefully, if we are able to have time on the legislative agenda, with some revised legislation to guide the services for the next several years. We will be examining all of our legislation.

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**Mr Crozier:** Have you recognized for some time that the Homes for Retired Persons Act was not adequate by itself?

**Ms Lang:** Yes.

**Mr Crozier:** May I ask then why you had to wait for the auditor to bring it up, why the initiative hasn't been taken before now?

**Ms Lang:** Because I believe as we've looked at this with each of our successive governments, it has not been able to get the legislative time that's required to make the changes. We have been able to use the flexibility of the Developmental Services Act to maintain and enhance services in a way that we believe is appropriate and can manage the service system until such time as we can get a decision and a legislative change made. We are accommodating the needs out there through the variety of legislation we have, but in the best of all possible worlds we would like a chance at some point to have the legislation consolidated in a more up-to-date piece of law.

**Mr Crozier:** Okay. That wasn't intended to be loaded. I know if we were in a perfect world the auditor wouldn't have any comments and then what would we do with him?

I want to ask a few questions with regard to the program placement for individuals. I know we spent a bit

of time on that. I want to get some idea of how difficult the problem is, and I'm going to make a comparison that's probably not fair but it may give you an idea where I'm coming from.

We have certain standards by which we have to maintain aircraft; otherwise they shouldn't fly or can't fly and it will risk people's lives. When you assess what an individual needs, you have budget constraints. How big a problem is it that you may have to say to some individuals: "I understand what your needs are. We've assessed you and here's what you require, but I'm sorry, we don't have the funds"? How big a problem is that?

**Ms Lang:** I'm not sure that off the top of my head I could quantify that. Are you referring to our special services at home program?

**Mr Crozier:** Well, it could be. I suppose that would be the main area, yes. I'm just trying to get a handle on how big is the need, how close are we to being able to satisfy it, and to what extent, if any, are we restricted by budgeting? I don't have any answer for it. This is not a game; it's not a loaded question. I'm just trying in my own mind to get a handle on it.

**Ms Lang:** I'll ask Sue Herbert to answer that question for you.

**Ms Herbert:** I think you raise a really important question. I think many of you in your constituencies would hear that many families feel that all their needs aren't being met, so there are families who will say that the government hasn't supported all the needs that they have identified for themselves and for their families.

In the program that we directly operate, special services at home, there are families whose own assessment of their needs is greater than the funding we've provided to them. On the reverse side, just to go back to the earlier question, which was that there's a confusion about who gets what levels of service, our belief is that through both the downsizing in the facilities and moving that money out into the community and then looking at levels of support funding, we'll be able to rejig the service system so that it's more efficient and more effective for families.

**Mr Crozier:** I guess that goes to a comment again that the auditor made — and quite frankly, I don't have my finger right on it — where there was a wide discrepancy. It may be \$5,000 for one and \$45,000 for another. Is that part of the problem? Does the assessment go astray somewhere when that happens? I suppose you can legitimately have that wide range.

**Ms Herbert:** Yes. I was going to say in some ways that wide a range is a credit to a program that's trying to tailor services to individual needs, because in this area there's a wide variation, as the deputy has said, in the human needs. People can have a multiplicity of handicaps, which require more support, and other individuals have a need for just small amounts of support in order for them to be independent and to be supported.

The balance here for us as bureaucrats is to provide a program that's tailored to individual needs and at the same time, from an audit perspective and an outcome perspective, that we can justify that this amount of money is indeed what that individual needs, compared to another. There's a very fine balance in a program like



this which tries to tailor supports to individual requirements, but at the same time has to justify how those decisions were made. Some of the improvements that the deputy talked about in her speech are what we are trying to do to establish that balance. But we would think that we would have a program failure if everybody got exactly the same amount of money, because we know that doesn't match the range of needs that are out there for people.

**Mr Crozier:** I appreciate some of the comments Mr Hastings was making when we all face the situation where constituents come to us and, for a variety of reasons, may not be totally satisfied with the service that's provided. It would seem to me that ideally what we should try to do — maybe you can tell me the extent that you try to do this — is that, once assessed, if there's a need there and it's assessed as a legitimate need, then there should be no reason why we can't satisfy that need.

I know we have budgets and I'm certainly not saying that you just simply open your pocketbook, but you've got this difficulty where, in my servicing analogy, you've got a certain standard to meet and you've got a need there. We shouldn't then have to say, "But I'm sorry, we can't support that need." I don't know what the answer is.

**Ms Herbert:** I would just indicate at this point, in the whole envelope for services to people with developmental disabilities — we estimate we're serving about 50,000 people — we have an expenditure of close to \$1 billion. Our sense is that we need to tackle how we're spending that money. Some believe — the auditor has said this, and we agree with him — we can make sure that money is being spent well. So I appreciate your comment; it's around wanting to meet the needs. We believe that with some of the work that the deputy talked about in her speech, we can begin to address that more effectively.

**Mr Crozier:** Just as a comment, I suspect each of us encounters some of the same problems, where every step is taken to satisfy the need and the assessment says, "There it is," and the family may not agree. In other words, they may not take no for an answer and they'll keep going and going until they get yes. That's one of the frustrations I feel. It's nobody's fault, but the fact that we just can't sign a piece of paper and send it off to you and get it corrected, I know, must be frustrating to the constituent but it's equally frustrating to us and you that every allowance has been given and that's what everybody in their professional opinion says, and yet the family is still not satisfied. It's too bad, but I guess that's the way it has to be.

1140

You've pointed out in raw numbers how the service has grown. I think you relate it to the 1940s when it was several thousand and now we're in the area of 50,000. Certainly the population has grown over that period of time. Again, just for information, can you give any indication as to whether not only are the raw numbers increased, but there is for some reason a difference between 1945 and now as to the percentage of population that need this kind of assistance? Are there any medical reasons, any environmental reasons, or is it diagnosis and treatment and other things that have led to that?

**Mr Low:** The figures that were quoted in the deputy's speech were from 1974 to the present time. The prevalence of people with developmental disabilities in general probably has not shifted. As you say, the population has increased. The prevalence is approximately the same through that time but the types of needs that are presented for support become quite different.

Many young people who had no services or supports in the early years were not being provided with support; there were just no supports available. We now provide early intervention supports to allow them to function more successfully within their community, and so that's where we are providing the supports for more people. Because of the miracles of modern medicine, we are seeing young people who may not have survived years ago now surviving and having a multiplicity of needs through their formative years that we are providing supports to. So the type of service certainly has changed over that time and the types of needs may have changed, but generally the overall prevalence has not significantly shifted.

**Mr Crozier:** And the lifespan has increased.

**Mr Low:** Absolutely. That's right.

**Mr Crozier:** Mr Chair, I have no reason to simply use up time.

**Mr Hastings:** I would like to move a motion, if I may, that would have ministry staff report back to us in about a month with a proposal to create a model of standards or comparators. The deputy was saying they already have agencies that get the direct moneys for developmentally handicapped/disabled folks directly to the agency, they get a global budget, and they also have an agency or agencies where the moneys are directed right through the consumer, if I understood her correctly.

My motion would be that we get some kind of handle on the specific criteria as referenced in your recommendation about "define appropriate levels of service to be provided to individuals, establish criteria etc." I would like to narrow Mr Peters's recommendation down and suggest the following: that the ministry staff report back within a month some pilot project whereby you could choose either autistics or some other specific group of users, not the multiplicity of disabilities, and compare a model that would have agencies — two agencies, one or three — anywhere in Ontario where they get direct global budgeting for the services and agencies where they have to get their moneys through the consumer, either the family or the disabled person himself. They could leave it up to the ministry to make the decision as to what group it would be. They could be autistics. There are several categories. Then maybe we could get some precise numbers and standards in terms of how they're handling their \$1 billion in this area, because right now all we've got is this broad-based accountability framework. They've set some criteria.

It would be nice if in a year or six months you could say, "Agency A in Thunder Bay for autistics used the direct global budgeting system, and somewhere else in Toronto or Ottawa used another approach" — the direct voucher approach, if you want — to the consumer, to the family, and went to an agency where they could handle that kind of operation. We could get some numbers out



in terms of how efficient they are, what model provided the greatest level of family satisfaction, and any other measuring indicators you wanted to use to give you some guidance or data on where you're going in this area. You'd have hard data. You could say, "This model doesn't work as well because," and you could give us information on the variables that created those situations.

That would be my proposal, that we get back some kind of report or proposal along those lines, the pilot projects that drive this, so we get a more specific handle on the auditor's recommendation on page 77.

**The Vice-Chair:** I'm just wondering if the deputy minister could comment on the possibility of doing that within a month.

**Ms Lang:** I think it would be helpful, if the committee is asking, that we get a little more clarity on the expectation. Depending on how detailed and how broad the scope is of this request, I'm not sure that a month is an adequate turnaround time. I would welcome a little more dialogue on what the specific request is in order to understand the scope of work required to respond to it.

**The Vice-Chair:** Perhaps I could suggest, Mr Hastings, that you put on paper your specific request so that we can see the parameters of it in terms of ministry time and maybe work out something that is plausible for this committee to deal with in the time frame you suggested.

**Mr Hastings:** I'd be more than happy to do that if the Comsoc staff could provide me with the geography of where this could be done realistically, or is already, as I understand it, being done. I heard you say to Mr Flaherty that you had most of the agencies, if it's for autistics — most of them, I know, do not serve just one category; they serve two or three. They've got a global budget. If I heard you distinctly, you were saying that users also got money. Maybe it's not called a voucher, it's called something else. That's fine. Names aren't important; it's what's coming out the other end, to me.

**Ms Lang:** Mr Chair, I would certainly be quite prepared and I know my staff would be quite prepared to sit down and discuss in some detail with Mr Hastings the range of services, the range of mechanisms we have in place now to finance the programs. If something comes out of that, we could follow up on a specific request.

**Mr Hastings:** Okay.

**The Vice-Chair:** Certainly in terms of trying to clarify this, does the committee agree that Mr Hastings will be contacting Comsoc staff to work out a —

**Mr Hastings:** Comsoc staff can contact me.

**The Vice-Chair:** Well, either way, to work out, let's say, a workable proposal here to —

**Mr Hastings:** I still want to have the motion on record that this thing get handled one way or the other. The route of getting there I don't mind, but I would like to move a motion that we pilot-test something on this whole area.

1150

**The Vice-Chair:** I just want to try to narrow it down exactly to what the motion will read. If you could take a minute while we have another question to write it down, Mr Hastings, and then we'll come back to you, I think that might be a bit more fruitful. Mr Fox?

**Mr Fox:** ARC Industries comes under your program. What's the future of them? I know there have been a number of them closed throughout the province over the last few years, yet we have a number of them still out there. I happen to have one in my riding that I'm very proud of. It's very successful and it's a big asset to the community and it also creates employment for 60-some clients. What's the future of them?

**Ms Lang:** We actually see ARC Industries, and sheltered workshops that may not be part of the ARC Industries group, having a place and continuing to have a place. But if in our discussions with them and their board they want to experiment with other ways of providing supports to individuals, I think we're quite open to looking at that as well.

We've had, as you know, a number of sheltered workshops in the province convert their program to supported employment because they wanted individuals to work in community settings and be more a part of community services. So we've been fairly receptive and responsive to those kinds of requests and we've had some successes. But at this point in time we do not have any plan to do anything drastic with sheltered workshops. However, we are prepared to be quite responsive if they want to experiment with other ways of providing day services or employment supports for individuals.

**Mr Fox:** When you move these people out into the communities in these group homes, in my area you're talking about only putting them into three agencies. I have a little trouble with that because I've had people approach me from the private sector, now that they know this is going to happen, who wanted to get in on this because they have big homes adequate for renovation to do this. I understand that even with the agencies, if you move these people out into them, you're actually going to spend money in renovations of these homes, that the government itself will spend the money in renovations?

**Ms Lang:** I'm sorry, Mr Fox. I didn't hear the question. I was conferring with my colleague here.

**Mr Fox:** When you move these people out into these agencies, into the community, the government itself is going to spend money in the renovations of some of these facilities. Is that correct?

**Ms Lang:** Yes.

**Mr Fox:** That's like me making a deal with the Ontario Milk Marketing Board to sell them milk and at the same time they come along and tell me, "We'll spend the money and build you a new barn." I don't see that as something that should happen. I would think that if they are contracting on a per-client basis to maintain and look after these people for you, they would be responsible for the renovations.

**Ms Lang:** The question I think becomes one of, do you pay through a capital grant for that kind of accommodation or do you pay through an operating fund for that kind of accommodation? I think one way or another, when you are moving people into those kinds of facilities in communities, there will be an expectation that the taxpayers' dollars pay for it. We have found over the years that using capital grants is probably the most economical approach rather than providing funds in ongoing operating budgets for costs of accommodation.

**Mr Fox:** Well, I kind of challenge that because when private enterprise is spending the money on the renovations, it's done a little more selectively, where if the government is forking out the money to do the renovations, it can get quite costly. That's just my opinion.

**Mr Flaherty:** I have a specific question with respect to the children with severe disabilities and section 63 schools under the Education Act. Comsoc does participate in some funding in that regard, does it?

**Ms Herbert:** It would be in section 27, but that's a different issue.

**Ms Lang:** I'm not sure that we have a —

**Mr Flaherty:** In facilities such as the Grandview rehabilitation centre for children, I think what actually happens is that the school is funded separately and then some money from Comsoc would go to the funding of the programs at Grandview. Is that right?

**Ms Lang:** It depends on whether Grandview is a program for children with developmental disabilities or whether it's a children's treatment centre financed by the

Ministry of Health. I'm not familiar with that particular agency.

**Mr Flaherty:** Never mind. I can —

**The Vice-Chair:** Thank you. Sorry to interrupt, Mr Flaherty. We have the motion from Mr Hastings, if you could just read that into the record and have a vote on it.

**Mr Hastings:** Do you want me to read it into the record?

**The Vice-Chair:** Please do, yes. It will save time.

**Mr Hastings:** I move that community and social services staff develop for comparative purposes a pilot project applying the global budget model and a specifically directed user payment model to carry out in a more refined manner auditor's recommendation as cited on page 77 of "Monitoring of Services Provided" as outlined in S.3.0J Provincial Auditor's Report, appendix A.

**The Vice-Chair:** All in favour? Opposed? That's carried.

Given the time, we'll move adjournment. All in favour? Opposed? Carried.

*The committee adjourned at 1157.*









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### STANDING COMMITTEE ON PUBLIC ACCOUNTS

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Mr Gilles Pouliot (Lake Nipigon / Lac-Nipigon ND)  
Mr Toni Skarica (Wentworth North / -Nord PC)

*\*In attendance / présents*

**Substitutions present / Membres remplaçants présents:**

Mr Ed Doyle (Wentworth East / -Est PC) for Mr Boushy  
Mr Jim Flaherty (Durham Centre / -Centre PC) for Mr Gilchrist  
Mr John L. Parker (York East / -Est PC) for Mr Skarica  
Mr E.J. Douglas Rollins (Quinte PC) for Mr Beaubien

**Also taking part / Autres participants et participantes:**

Mr Erik Peters, Provincial Auditor

**Clerk / Greffière:** Ms Donna Bryce

**Staff / Personnel:** Ms Elaine Campbell, research officer, Legislative Research Service



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## Legislative Assembly of Ontario

First Session, 36th Parliament

## Assemblée législative de l'Ontario

Première session, 36<sup>e</sup> législature

# Official Report of Debates (Hansard)

Thursday 21 November 1996

# Journal des débats (Hansard)

Jeudi 21 novembre 1996

**Standing committee on  
public accounts**

**Comité permanent des  
comptes publics**

Annual report,  
Provincial Auditor, 1996

Rapport annuel 1996  
Vérificateur provincial



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## LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON  
PUBLIC ACCOUNTS

Thursday 21 November 1996

## ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

COMITÉ PERMANENT DES  
COMPTES PUBLICS

Jeudi 21 novembre 1996

*The committee met at 1035 in room 228, following a closed session.*

## 1996 ANNUAL REPORT, PROVINCIAL AUDITOR

## HIGHWAY 407 CENTRAL PROJECT

**The Acting Chair (Mr Bruce Crozier):** We are ready to begin the open session. We will have some provision for opening comments from the Ontario Transportation Capital Corp, and then we will move to the various caucuses with a time division. For the purposes of Hansard, I ask that you first identify yourselves and then whoever might have some opening comments can proceed.

## ONTARIO TRANSPORTATION CAPITAL CORP

**Mr Dennis Galange:** My name is Dennis Galange, president and chief executive officer of the Ontario Transportation Capital Corp. Mr Chairman, members of the committee, thank you for inviting OTCC to this committee. I want to make some general comments on the progress of the Highway 407 and then deal directly with a number of statements made about the 407 in the media.

I want to report to the committee that the project is still progressing for an end-of-year implementation, although there are a number of critical test results over the next few weeks which will be required to confirm whether that date will be achieved. The contractual date for the tolling suppliers to deliver a fully functioning tolling system that includes both the transponder-based and video-based components is March 31, 1997. We fully expect that the entire system will be available before this date.

The civil works are completed for the first 36 kilometres of the highway with no significant outstanding issues and, as you are all aware, we are in the midst of a very aggressive marketing campaign. As stated by the minister, the Honourable Al Palladini, and reiterated by the Premier, highway safety is the number one priority of the Ministry of Transportation and the highway will only open after confirmation that it is safe.

I would also like to report that the costs are within budget and we fully anticipate that the project will come in not only on budget but also on time. I am sure you are all aware that initially the crown sought a develop, design, finance, build, operate proposal, but that the financing component was not acceptable and a decision was made to utilize interim crown financing. Interest rates have been at historic lows recently and we believe there will be an excellent opportunity to privatize that

financing once the highway has opened. This refinancing would reintroduce private sector involvement on a much more favourable basis than would have been the case three years ago.

I would also like to report that our state-of-the-art tolling system is attracting worldwide attention. We have hosted numerous delegations from around the world, many of whom have expressed a very keen interest in utilizing the same technology for their tolling projects. It is safe to say that the whole tolling world is watching what we are doing.

I can also report that the interest of potential customers for the highway has been extremely positive. To date, we have transponder orders exceeding 9,000 transponders. This is ahead of our projections. Customer inquiries are coming in at the rate of 400 to 500 per day.

I would now like to talk about issues raised over the last few weeks. It has been reported that the crown saved \$300 million by lowering safety standards. I want to clearly state that this statement is completely false. I reiterate that highway safety is the number one priority of the Minister of Transportation. Developing Highway 407 as a safe facility was also, and continues to be, the number one priority for both OTCC and Canadian Highways International Corp, the designer and the builder of the highway.

The majority of the \$300 million savings were derived from efficiencies, economies of scale and the deferral or elimination of interchanges. The savings did not result from any compromise of safety or in the reduction of standards.

The press has also reported that some of the savings were attributed to the fact that there are no median barriers. Median barriers and protection of obstructions outside of the 10-metre clear zone are not, and never were, required by provincial standards. They are not included in these savings. I want to state that the auditor has not suggested in his report that the highway is unsafe. In fact, the Provincial Auditor recommended that "The ministry...assess the applicability of the revised standards originating from the Highway 407 Central value engineering exercise as benchmarks for cost reductions to other provincial highway projects."

I also want to state that the value engineering ideas were recommended by eight of the most respected highway engineering firms in Ontario and there is a representative from one of those firms here to address any questions you may have on the value engineering exercise.

More specifically, the issues raised recently:

(1) With respect to median barriers, the Ontario standards require a median barrier when the median width is less than 10 metres. The Highway 407 median width is



between 22.5 and 31.5 metres and exceeds the 10-metre minimum.

(2) Protective barriers for light poles and bridge piers: The standard calls for a 10-metre clear zone to any major hazards. This is intended to allow errant vehicles that leave the roadway space to recover or come to a safe stop. High mast poles and bridge piers are located outside of the 10-metre zone. Where possible, and where they are within the zone, they are protected by guard rails.

(3) Concrete surface: The 407 uses an exposed concrete surface with a 30-year design life. The skid resistance of exposed concrete and asphalt are comparable. The example of polished concrete that had been cited relates to Highway 401 after it had been in use for 20 years. Highway 407 will have its surface retextured under a comprehensive rehabilitation program.

(4) Inner loop ramps: The radius of inner loop ramps at freeway-to-freeway interchanges was allowed to be reduced from a radius of 120 metres to 75 metres. This did not reduce safety. For inner loop ramps, the standard values are not attainable because of the large areas involved. Depending on the type of inner loop ramp, MTO standards allow the values to be reduced. Smaller radius curves have been used by MTO in the past where there are property constraints, and here similar ramps operate on Highway 401 without a problem.

(5) The auditor's report states that entry and exit lanes were lowered to 446 metres from 500 metres. The 446 metres was the ministry imperial standard and was rounded to 500 metres when the standards went metric.

Again, I want to state that this is a safe highway. The OTCC is committed to safety and has incorporated safety into building the state-of-the-art highway. That is why, in addition to the foregoing, we've exceeded standards by a state-of-the-art high mast lighting system for better night-time visibility; paved shoulders on both sides for increased driver recovery areas in the event a vehicle strays from the travelled lanes or breaks down; a median width that is 12 metres wider than the minimum standard that requires a median barrier.

The Highway 407 is being developed as a state-of-the-art facility by Canadian Highways that includes some of the most respected construction and engineering companies in Canada. These companies are using this highway as a showcase to secure other projects around the world. They would not implement ideas that would jeopardize safety or their chances in either the Canadian or the world export markets.

Finally, notwithstanding our reconciliation of these safety issues, it's paramount that the public have confidence in the safety of the highway, and therefore we welcome the minister's independent safety review. We are pleased that the auditor concluded that the selection of the winning submissions for the design and the construction of the road and the tolling components of the project followed a predetermined process, and the proposals were evaluated by experienced evaluation teams using predetermined evaluation criteria. He also concluded that there was due regard for economy and efficiency in the planning, development and implementation of the Highway 407 Central Project.

I want to conclude by stating that we embrace the Provincial Auditor's recommendations for future projects. Thank you.

**The Acting Chair:** Thank you. Could we just have you identify yourselves for the purposes of Hansard.

**Mr David Guscott:** David Guscott, assistant deputy minister, policy and planning, Ministry of Transportation.

**Mr Galange:** Dennis Galange, chief executive officer, OTCC.

**Mr Chad McCleave:** Chad McCleave, chief financial officer, OTCC.

**Mr David Garner:** David Garner, executive vice-president, engineering, OTCC.

**The Acting Chair:** Thank you. We'll begin a round of questioning of 10 minutes each per caucus, if that's all right. I have two names to begin with from the government, Mr Carroll and then Mr Skarica.

**Mr Jack Carroll (Chatham-Kent):** I thank all you gentlemen for coming forward today. We appreciate having access to you. My first question is for the Provincial Auditor. Having read your report in the area of value engineering, I don't see any reference in that whole section to anything about safety. Was it your intention in evaluating the Highway 407 project to make any recommendations or any comments on safety? If it was, what expertise did you use to come up with those comments about safety?

**Mr Erik Peters:** That's a very quick and good answer. I'm not an expert. I therefore did not make any comments about the safety. None of the comments we make in the report nor comments that we made to the media were about compromised safety. To the best of my knowledge, the only safety concerns that I've heard were raised by the OPP, but they were not raised by my office.

**Mr Carroll:** So there was no intention on your part at any time, because of the fact that you did not have any expertise in the area, to make any comments about the safety of the Highway 407 project.

**Mr Peters:** That is right, and in fact the opposite occurred. If you look at our recommendation on page 346, we said in there, can this be used as a benchmark, and we considered that actually a positive recommendation that said: "Look, if you can achieve this sort of cost avoidance, as you did on this highway, can these new standards be used as a benchmark for future cost reductions? Would you please do an evaluation?" That was the question we raised and the ministry responded very positively to it. Not only did they say that they would carry out this evaluation, they also said they would keep safety uppermost in their minds.

**Mr Carroll:** Thank you, Mr Peters. Then I have a couple of questions for the plethora of engineers that we have with us, and I don't know who wants to answer this but whoever can answer it. When an engineer designs a highway, do we need somebody to come forward then and question whether, if it's built to that design, we have a safe project? Is an engineer an expert on safety on highway design, or do we need some additional comments on that?

**Mr Garner:** Perhaps I could answer that question. Certainly when an engineer puts his stamp on a drawing, as he does when there are structural drawings involved,



or when he's signing design criteria which he's submitting for approval, he is attesting to the fact that, in his opinion, what he's putting forward is a safe recommendation or a safe design. Should there be a second opinion on that engineer's authority? I don't believe so.

**Mr Carroll:** What is the engineer's liability if in fact what he said was safe turns out to be unsafe?

**Mr Garner:** His liability is potential loss of licence, and he cannot practice in the province.

1050

**Mr Carroll:** A couple of other questions. I don't know whether you would have access to this information. There has been a lot said about the length of the speed change lanes. Has anybody got access to what would be the average of our 400 series highways now? We know what they are going to be on 407. What's the average of our other 400 series highways?

**Mr Garner:** Most of the 400 series highways were built when the imperial standard was in effect. My understanding is that the average length of the speed change lanes on the 400 series highways is around 400 metres.

**Mr Carroll:** And 407's?

**Mr Garner:** It's 446 metres.

**Mr Carroll:** The other thing that's talked about, the other number that's bandied around, is the radius loops of the interchanges. Have you got a number on what the average is for the other 400 series highways?

**Mr Garner:** MTO tells me that the average in a loop ramp on the 400 series highways is 50 metres.

**Mr Carroll:** And 407 is?

**Mr Garner:** We have ramps at I think it's 410 at 75 metres, 404 at 90 metres, and at 427, which is ministry-designed, which we took over, at about 46 metres.

**Mr Carroll:** If because of land restrictions, which we obviously encounter in areas like Metro Toronto, we don't have the land to put in a 125-metre or an 80-metre radius turning ramp, what other things can we do to compensate for that lack of sheer land?

**Mr Garner:** What you do is you're counteracting the difference in speed from the approaching highway to the speed on the ramp. Therefore, you have to provide the appropriate deceleration lane or slowdown lane so that the vehicle can go from the one speed to the second speed. If you've got a tighter radius ramp where you want the vehicles to slow down a little more, that ramp is longer as you approach that curve. In addition, of course, because the curve is slightly tighter, you put additional super-elevation on the curve. That's the angle of the curve as you go round.

**Mr Carroll:** That's all part of the engineering.

**Mr Garner:** That's all part of the engineering.

**Mr Toni Skarica (Wentworth North):** I'd like to refer to the front page of the Toronto Star. I'm sure you're familiar with that. Under the subtitle "Bending the rules," they give examples of shorter merge lanes, tighter interchanges and closer obstacles. I think you've dealt with most of those. But the alarming part of the article was, "To save money, existing mandatory standards were reduced...." Did that in fact happen? Were mandatory standards reduced?

**Mr Garner:** You refer to the front-page article in the Star. Unfortunately, we've made that three times, I guess, in the last few days and I'm not sure which one —

**Mr Skarica:** This one here under "Bending the rules."

**Mr Garner:** I'm not sure I have that particular one, but no mandatory standards were changed. I think the article that appeared on November 19 where the Star says that \$300 million was saved by not putting in barriers, lowering standards so that we didn't put in barriers, is, as Dennis said, totally incorrect.

**Mr Skarica:** My other question then is, has any minister in the government, whether it was Mr Pouliot or Mr Palladini, ever authorized the building of any substandard highways?

**Mr Garner:** Absolutely not.

**Mr Bill Grimmett (Muskoka-Georgian Bay):** I'm interested in asking Mr Guscott a question. It relates to the stories in the media about the OPP concerns and I'll just quote from this Toronto Sun article of November 13 where Superintendent Currie says, "We brought our concerns to them and they chose — for whatever reasons — not to act on them."

What concerns were brought to the ministry by the OPP, and if you did not act on them, why did you not act on them?

**Mr Guscott:** In terms of the design of the highway, being a partnership and being done by OTCC, the interaction with the OPP was done with the Ontario Transportation Capital Corp and with Mr Garner's staff. So I think he could probably give you a precise answer to what you're asking.

**Mr Grimmett:** If he could.

**Mr Garner:** We have checked whether or not anything was said by the OPP to us in a formal way or an informal way. We have no record that I can detect of a formal request by the OPP or a concern by the OPP in writing to the OTCC about safety concerns on Highway 407.

There were two meetings that I'm aware of. The one meeting that I attended, which was to address enforcement issues of the tolling system, was held some time last year, and OPP officers were present. I was present at that meeting and I said the focus at that meeting was the new regulations that were being enacted around the tolling, and if somebody was violating the toll — maybe a truck didn't have a transponder — how was that going to be enforced? That was the focus of that discussion. I do not recall from that meeting any safety concerns being addressed, with one proviso, which was a safety concern that I raised with the OPP.

At that point in the construction of the highway, we had several kilometres of concrete pavement laid down. We had some bridges built, and in the construction sequencing you always leave a gap between a concrete pavement and the bridge that's built and then you come in later and fill that gap in with an expansion joint. We could see on the side of the highway that there had been some all-terrain vehicle accessing from some local valleys. My concern was that one of those vehicles might be coming down the highway at night, not realizing that — although they were trespassing, not seeing one of these gaps.



My question of the OPP was more of an enforcement question: "This is a provincial highway that isn't open. Should I be calling you or should I be calling York Regional Police about this concern?" That was the only safety concern that was raised at that particular point.

There was another meeting held at the project office at which one of the officers did say, "Do you have median barriers?" or something to that effect. It was pointed out that the provincial standard did not require median barriers and it was felt that the issue was closed at that point.

**Mr Mike Colle (Oakwood):** The first question I have in terms of safety is that retired OPP traffic Staff Sergeant Len Briden is quoted in an article in the Toronto Star of November 12: "Nobody ever sought any input from front-line officers as to what we thought about the design," Briden said. "We told them they were building another Highway 403 with all of its disasters." When did Staff Sergeant Briden tell you that?

**Mr Garner:** I don't know when Staff Sergeant Briden said that because I don't have a recollection of a meeting in which that was raised.

**Mr Colle:** So if you meet with front-line OPP officers or somebody did with the OTCC or the Ministry of Transportation, you don't take any records of their comments? A serious comment of this nature saying basically you're going to have another disaster like 403 I would assume would be written down on paper.

**Mr Garner:** We were building the highway to provincial standards. As Dennis has said, the provincial standard requires that if the median is less than 10 metres, we erect a barrier. If it's between 10 and 15 metres, the standard says it's optional, and above 15 metres a median barrier is not required. We are building to provincial standards. Those provincial standards are similar to or the same as standards used in other jurisdictions across North America. The American Association of State Highway and Transportation Officials has recently released an updated manual. That particular standard remains the same.

**Mr Colle:** Talking about provincial standards, the new concrete barriers that are being erected in some sections of the 401, are they provincial standard?

**Mr Garner:** The barrier itself is a provincial standard, yes.

**Mr Colle:** No, no. The erection of those barriers that are going in on sections of the 401 separating the east and westbound lanes.

**Mr Garner:** I'm not aware of the exact median width in those locations of the 401, but I know they are considerably less than the median width that we have on Highway 407.

**Mr Colle:** But they've been erected after the 401 was constructed, after the fact.

**Mr Garner:** Yes.

**Mr Colle:** Why then were they placed there?

**Mr Garner:** You'd have to ask MTO that question, but I'm pointing out that the median width on 401 in those areas is substantially less than the median width on Highway 407.

**Mr Colle:** But as a result of the experience and high incidence rates of accidents, sometimes there are new

concrete barriers, there are new protective devices that are put on highways as a result of serious accidents and of dangers that are foreseen after the fact. Aren't standards adjusted to improve safety?

**Mr Garner:** I believe you will find, and this is why I don't want to categorically answer that question because I'm not responsible for putting those barriers up, that they will be in areas where the median width is between 10 and 15 metres, in the optional area I just spoke of. I don't believe, and this is why I don't want to be categorical on that, that the median width on the 401 was less than 10 metres. I do know of some areas where it's 10.9 metres. I would believe that where those barriers are going in, it's probably in the section where the median width is 10.9 and therefore you're in that optional range. It therefore doesn't represent a change to the standard.

1100

**Mr Colle:** So there are no adjustments made to highways across Ontario after experience shows that perhaps there's a need for extra barriers. Is that what you're saying?

**Mr Garner:** No, I didn't say that. I think you asked the question, were they using a different standard? I'm suggesting that —

**Mr Colle:** I'm saying, are your standards adjusted to take into account that perhaps the case history shows you may need it? I maybe would like to ask Mr Guscott that question. Again, Sergeant Briden said, "We told them they were building another Highway 403 with all its disasters." You know the history of 403. That was built to ministry standards also and it's the subject of many inquests. Would you have any record of this meeting? Was it told to ministry officials?

**Mr Guscott:** As Mr Garner said, we've checked our records. We treat any comment like that very seriously and we have no record of that having been raised.

**Mr Colle:** Another question for you, Mr Guscott. In the same article the same sergeant says, "We got criticized for criticizing the MTO...on their standards after the Tobias inquest." As you know, Tobias was a young man who was unfortunately killed in a tragic accident on 403. On what basis did you criticize the officers for questioning MTO standards as a result of their firsthand experience of what 403 has shown?

**Mr Guscott:** I'm not aware that the ministry criticized the officers at all and I don't think that's implied in your question. The article certainly doesn't say that the ministry criticized the officers.

**Mr Colle:** It says, "We got criticized for criticizing the MTO (transportation ministry) on their standards."

**Mr Guscott:** I repeat, that doesn't mean the ministry criticized them for that, because I have no recollection of the ministry criticizing them on that.

**Mr Colle:** So there's no documentation when the OPP officers met with your officials where they expressed concern about safety on this new highway.

**Mr Guscott:** That's correct.

**Mr Colle:** There's no written report.

**Mr Guscott:** I'm not aware of any, and we have looked.

**Mr Colle:** If safety is so critical to your ministry, when you meet with front-line officers who are experts in



reconstructing accidents, are experts in coroners' inquests, as some of these officers are, when you meet with these front-line people, you have no written report on what suggestions they've made?

**Mr Guscott:** Mr Colle, you're making an assumption that there was a meeting of the front-line officers. I'm not aware that there was such a meeting. We have not been able to find a record of the meeting that's being referred to in that article.

**Mr Colle:** Wouldn't this all have been cleared up if you had a process in place where there is a formal meeting with front-line officers, especially given the history of 403, if before you design this highway, you sit down and have formal meetings with front-line officers where they can have their input in this process? Or is it the party line to tell the front-line officers, as your minister has told them, basically to mind their own business, that they are out there just to issue tickets and they are not engineers? Is that what the ministry tells the front-line officers?

**Mr Guscott:** The ministry doesn't address the front-line officers in that way at all. The ministry designs and builds the highways to the standards that are developed. Those standards have, as Mr Garner said, been exceeded in the case of 407.

**Mr Colle:** But wouldn't it be advantageous in terms of enhancing safety to have part of your process of ensuring the standards are the right standards be to make a comprehensive process, interview, with front-line officers to get their firsthand suggestions on some of the things you might be able to do, along with the engineering recommendations, to make our highways safer? Is this not part of the processes that MTO has in place?

**Mr Guscott:** It goes beyond that. When the standards are reviewed that the highways are built on, there is a comprehensive evaluation of accidents, of construction issues, of changes to car, tire and pavement design etc. As Mr Garner said, those standards across North America have recently been reissued. They were reissued last year. In doing that, they do take into account discussions with front-line officers, whether they're state troopers or anyone else, in the development of the standards. Those standards are recent; they're up-to-date. They've been evaluated with the most recent accident data that goes into their evaluation. As I said before, Highway 407 exceeds those.

**Mr Colle:** But as you know, Highway 407 is going by the same standards you used on 403. Is the ministry content that the standards for 403 were adequate to protect people's lives and bodies and property on 403?

**Mr Guscott:** I don't have direct knowledge of the design on 403. Highway 407 is designed to exceed those standards. It's better lit than Highway 403. There are other differences in that aspect.

**Mr Gilles Pouliot (Lake Nipigon):** Departing from the style, the operandi, it's a renewed pleasure; it's been too long, colleagues and friends. You will allow me, Mr Chair. I'm somewhat close to the 407 contract. On behalf of our government, I signed the contract as the Minister of Transportation then.

I have some questions which are relevant indeed and continuous to what has been raised, directed to you,

Dennis. We read the newspaper, and I know as the CEO you lived the project. It's a normal reaction. You take a great deal of pride and you should, and should be commended. When you read the Provincial Auditor, that man there, Mr Peters, saying that \$300 million was saved by focusing on lower standards, candidly tell me, did safety not come into your mind when that was said? For me as a neophyte — but I read like everyone else — when I read in the largest circulation paper in the country that standards were lowered, the light went on in my mind. It said, "Safety was — " That's what he said. You said the very opposite a minute ago in your presentation. Were you as appalled and shocked as I was when you read that?

**Mr Galange:** As far as I'm concerned, if the Provincial Auditor had ascertained there was a significant issue around safety, it would have clearly been spelled out in his audit report.

**Mr Pouliot:** I need your help. The article further said that \$300 million was saved. When I was the minister, I was informed as to the progress of negotiations with the ministry and the winning consortium, that money would be saved because of the size of the project, economy of scale.

**Mr Galange:** That's correct.

**Mr Pouliot:** And that money would be saved because of value engineering: The same people would do both the engineering and the construction. The bigger the pie, the more opportunities for saving. Do you corroborate?

**Mr Galange:** Yes. On the value engineering, the approach was that before the contract was selected with the winning contract, there was a value engineering exercise that was participated in by both the finalists for the requests for proposals. It was out of those findings, working with them, that we identified the opportunities in value engineering savings. In addition to that, by the nature of a design, develop, build contract and the size of that contract, when we priced the specifications of the project with standard pricing the way we would have conventionally done that, it became clear there was upwards of \$100 million worth of savings one would attribute to economy of scale.

Therefore, there were two exercises that took place: one separately on the value engineering, which was done before the contract was finalized, and the second was done on the basis of the comparison of those savings against a traditional approach.

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**Mr Pouliot:** A chief executive officer would be most cognizant of money, of financing. It was the intent of the government of the day to have you, the private sector, do the financing. Would I be correct or incorrect in stating that by having the government do the financing between 50 and 75 basis points were saved, and that this will come out in the wash, will be reflected in the tolling fees and the overall cost of the project?

**Mr Galange:** That's correct. In fact it was a greater saving than that. The financing proposals that were submitted by the private sector carried an interest rate cost that was about 125 to 150 bases points higher than what the government would borrow at. In addition to that, the government would still be guaranteeing the vast



majority of the debt and the equity those consortiums would be contributing was very small relatively. The savings, by having the government finance the project over this interim period itself, were very substantial, probably in the range of \$12 million plus a year.

**Mr Pouliot:** I have with me a copy of the summary of development and design build agreement. It's not a leak. I was the minister and I signed the agreement so why shouldn't I have access to a copy. It says on page 4, "Construction standard: The developer is required to perform construction work in compliance with the terms of the agreement, all relevant laws and regulations of the contract document defined as the construction contracts with the constructor company" etc. When it says "laws," if you were to lower the standards that are set by statute you would be breaking the law, wouldn't you?

**Mr Galange:** Absolutely.

**Mr Pouliot:** So you did not lower the standards.

**Mr Galange:** Absolutely.

**Mr Pouliot:** Thank you. I also have the same documents, "Required tests: The developer is responsible to perform all test studies and investigation necessary in connection with the work in order to ensure that the design and construction of each portion of the facility is in conformity with the contract document and all relevant laws and regulations." He says that standards were lowered. He said that relevant laws and regulations were breached if the standards were lowered. You say, with the backing of your scientist and engineer, that you have complied with all regulations, standards and law. Right?

**Mr Galange:** Yes, sir.

**Mr Pouliot:** In that case you don't have to be a lawyer emanating from Harvard to understand that one. One says the very opposite of the other. I believe you.

Mr Guscott, you and I worked closely for a number of years in your capacity and my tenure.

**Mr Guscott:** Yes, sir.

**Mr Pouliot:** I've enjoyed your friendship and your ethics indeed a lot, and it's a sentiment that's shared by many people. When I was kept apprised by virtue of the tenure with the previous administration — I will speak candidly — was there two meetings where safety — remember terms like, "Our model is to make Ontario roads the safest in North America?" Remember the graduated driver's licence? Remember taking points away or putting points on someone's record if they did not buckle up to our rate of compliance? Remember the blitz on trucks? Safety was very high.

Do you believe that the government of today, any government of any stripe, would lower standards when you have a continuity of close to 1,000 people, men, women, children, losing their lives on Ontario highways because of seven million motorists? Do you believe anybody, regardless of stripe, would ever affix his or her signature to a document that would lower standards?

**Mr Guscott:** No, Mr Pouliot, I don't believe anyone would.

**Mr Pouliot:** No, I don't believe anybody would reach that degree of callousness.

On the 407, it's being marketed all over the world. It's over \$1 billion, close to 20,000 jobs. Wouldn't that be to

the advantage of Canadian Highways International, or whoever the successful bidder is, in this case yours, if you were to take the package and showpiece it all over the world, "Look what we've done in Toronto, Ontario, Canada?" In your opinion, do you just meet the standards, surpass, exceed the standards? Because you're to show it all over the world. Is it better than, is it as good as any other highway? Would you go on record as saying: "In fact it's built with the latest technology; not only are the minimum standards adhered to but we've exceeded the standards?"

**Mr Galange:** Yes.

**Mr Pouliot:** You feel confident in that?

**Mr Galange:** Yes, I do.

**Mr Pouliot:** And your engineers, they do too.

**Mr Garner:** Yes, I do.

**Mr Pouliot:** So this is state-of-the-art here?

**Mr Garner:** Yes, it is.

**Mr Pouliot:** So there were no standards lowered.

**Mr Galange:** There were no standards lowered.

**Mr Pouliot:** Thank you.

**The Acting Chair:** Before we move on to the government caucus, the auditor would like to make a brief comment.

**Mr Peters:** I agree with the statements already made by the ministry. I also would like to point out that nowhere in my report did we talk about lowering standards; we talk about changing standards. Just to make the record straight.

**The Acting Chair:** Thank you. I have Mr Skarica and then Mr Carroll.

**Mr Skarica:** I think it's very important for the public to have the record completely clear and accurate then as to what's occurred here. I'm just going to summarize what I've heard and you can tell me if I'm right or wrong.

Number one, the auditor's report did not have safety concerns with Highway 407. Correct or not correct?

**Mr Galange:** That's correct.

**Mr Skarica:** That the highway was built to MTO safety standards and in many cases exceeded those standards. Correct or incorrect?

**Mr Galange:** That's correct.

**Mr Skarica:** That the OPP are not saying that MTO standards have been breached. Correct or incorrect?

**Mr Galange:** That's correct.

**Mr Skarica:** That the standards the MTO uses are consistent with the standards used throughout North America. For example, the American Association of State Highway and Transportation Officials in the USA has recently released updated roadside design guides and this reflects the same standards as Ontario. Correct or incorrect?

**Mr Galange:** That's correct.

**Mr Skarica:** That the OPP did not feel sufficiently concerned with the highway to meet with senior MTO officials. Correct or incorrect?

**Mr Galange:** OTTC officials, that's correct.

**Mr Skarica:** As I understand it, they met with the Canadian Highways International Corp at some point to express some concerns. Correct, or would you even know about that meeting?



**Mr Garner:** I tried to confirm yesterday with the Canadian Highways officials whether or not they had met. I spoke to Leo Moll, the project director. He has no record of meeting with OPP. There may have been a meeting with Al Stretch, one of the directors of Canadian Highways. He's in Israel preparing a bid for a major highway construction project in Israel that Canadian Highways is involved in.

**Mr Skarica:** Before I did this I was a crown attorney and it seems to me that if the OPP felt that regulations were being breached or that the public was in serious danger by the building of this highway, they would have approached senior officials in your ministry. Correct?

**Mr Guscott:** That's correct.

**Mr Skarica:** And that never occurred?

**Mr Guscott:** No.

**Mr Skarica:** Thank you.

**Mr Carroll:** Just a couple of comments and a question: Mr Colle brought up the Tobias inquest relative to Highway 403 and we've heard a lot of conversation about 403. It should be noted on the record that the inquest findings were that highway design did not contribute to the problem, that it was incidents involving the driver of the vehicle that were the contributing factors there, so I think we should set the record straight on that one.

As I understand it, there were two consortia that bid on this particular project, both of which had input into the changes that were made in the design. Is there anybody here in the audience who represented the losing bidder?

**Mr Garner:** Yes.

**Mr Carroll:** Could I ask that gentleman a question? Would that be permitted?

**The Acting Chair:** The request has been made. There's someone here from the losing bidder on this project and Mr Carroll would just like to ask him a question. If we can get —

**Mr Colle:** This is quite unusual.

**The Acting Chair:** It may be unusual, but what I'm looking for is some sort of agreement that this could be done, without taking it to a vote. Okay?

**Mr Carroll:** Thank you.

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**The Acting Chair:** Could you please for Hansard identify yourself, sir?

**Mr Bob Nairn:** My name is Bob Nairn. I'm the chairman and CEO of McCormick Rankin. I led the engineering team that put together the bid prepared by the Ontario Road Development Corp as the second bidder. I also led the value engineering team of that same group.

**Mr Carroll:** Thank you, Mr Nairn. I appreciate your volunteering to answer a question. I hate to use the term "loser," but the fact that you represented the unsuccessful bidder, in your opinion as a professional engineer — because you don't have any vested interest now, you're not involved in the project, you don't own it, you're not going to be running it — did any changes made under the value engineering initiative in any way impact on the safety of Highway 407?

**Mr Nairn:** None whatsoever.

**Mr Carroll:** Were you involved in those changes?

**Mr Nairn:** Very much so. In fact, the changes that have been identified most recently are changes that our own consortium had proposed in our bid.

**Mr Carroll:** If you were doing it again today the same changes, in your opinion, would be totally acceptable from the standpoint of safety of Highway 407?

**Mr Nairn:** They would.

**Mr Carroll:** A little bit about the chronology, and I don't know whether you'd be the person to answer this, but at some point in time this was a private sector-public sector partnership. The auditor made some comment about the fact that there were some changes made that made it more of a totally public sector thing and the government took responsibility for the debt etc. Did that change happen before or after the value engineering changes were made?

**Mr Nairn:** That happened after.

**Mr Carroll:** When the value engineering changes were put forward by the two consortia that were going to bid on this, they believed they would be totally responsible for the warranty and the operation and the financing of this particular project?

**Mr Nairn:** They did.

**Mr Carroll:** So it wasn't as if they were saying, "Well, now that the government is going to take this over, we can change the standards." They had felt at that time they were going to be responsible, therefore they would not in any way jeopardize their own financial position by proposing standards that were unsafe or were shortcuts.

**Mr Nairn:** No, they did not, and I think I'd like to pick up on the earlier question that regardless of whether it was privately financed or by the government, your own professional responsibility lies with producing a safe design. It goes beyond the issue of losing one's licence. As a firm you've got your own liability insurance in place, so it has a far more serious effect if you're found liable in terms of inadequate design.

**Mr Carroll:** One final question. In the auditor's report he uses the terminology "changing of standards normally applied in ministry highway construction." Is that good terminology? Does anybody want to comment on that "changing of standards"? Does that imply something that is really bad as opposed to what happened? Should the wording have been a little different there? Maybe even the auditor would choose to comment on this. What's your feeling about that terminology?

**Mr Garner:** I would perhaps take issue, since you raise the point, with the adjective "normally." I think we have pointed out, for example, that the radius of curves on the 400 series highways is less than the radius of the curves that were used on 410 and 409. So it's difficult to say when that "normally" applied. In the case of the entry ramps we pointed out that the majority of the highways were built when the imperial standard was in place, so the standard of 446 metres is the standard you'll find on most of the highways.

**Mr Carroll:** Basically the project, to make it safe and acceptable for the driving public, has to develop some of its own standards based on the geography and the traffic and all those things.

**Mr Garner:** Yes, and in the design manuals there are tables and there is text around the tables. The one on the geometry says this particular table is a guide. It uses the word "guide." Then it goes on to say that if there are



property constraints or other issues and you can't meet that guide, then you engineer around it.

**Mr Carroll:** Mr Peters, do you have any comment on the choice of words?

**Mr Peters:** The choice of words was very carefully done. We based it essentially on ministry-prepared documents. There is clearly, in the documents we saw, a column that says "MTO Current Policy." So we had to assume that was the normally applied standard at that point and that was discussed with ministry officials. We discussed this particular paragraph with ministry officials and achieved agreement on this very point. Our evidence showed that was, at least at the time, the policy of MTO.

**The Acting Chair:** Mr Colle, we'll move on and you'll get an opportunity in the next round.

**Mr Colle:** Mr Chairman, I would just like to comment on the calling of another witness who wasn't on the agenda. We were supposed to be dealing with the Ontario Transportation Capital Corp. I find it very unusual. I would think that this witness should be called before the inquiry that takes place. I certainly would have brought in the OPP officers here if I knew that we were at liberty to call people from the audience to give their testimony. I know it's quite convenient for a member of the losing consortium to be here, but I find it very unusual that he should be allowed to give testimony and other people who wanted to give testimony were not given that opportunity.

If you want to continue this hearing till next week, let's bring all the people concerned before this committee and let them give firsthand testimony on what they said to whom about safety on Highway 407.

**The Acting Chair:** Mr Colle, in my attempt to be fair, and I won't get out of this hole by digging it deeper, it was my understanding that Mr Carroll had asked about this kind of thing. I was not aware that anyone other than the witnesses listed was going to be called, so it will end here. I think the subcommittee at the end of the day may want to decide whether there's a need for further witnesses to come before the committee. While we're passing blame for things around this table, I'll take blame for that.

**Mr Pouliot:** On a point of order, Mr Chair: I readily acquiesce and certainly welcome their presence. I don't wish to prolong this, but with respect, Chair, if you allow one side to benefit from the expertise of our witness, should you not be consistent and allow the other two parties equal opportunity should they wish at least to have the opportunity?

**The Acting Chair:** As I've explained, sir, your point of order may be a good one. The point is that you should have made your point of order before the witness appeared. I then decided that was the subcommittee's decision, and if I erred or there were no points of order brought up at that time —

**Mr Pouliot:** You should have made your ruling before the witness appeared.

**The Acting Chair:** I'm saying that, sir. I don't know how many times you want me to admit it, but I'll do it one more time. Now, is your point made? Can we move on?

**Mr Pouliot:** I'm asking, with respect, for equal opportunity because I have some questions that are relevant to what Mr Carroll has asked. I have a follow-up.

**The Acting Chair:** Oh, you can ask the same witness. I'm saying that other witnesses can't appear. Okay? We have him here. He's on the record.

**Mr Pouliot:** Will you accept my apologies?

**The Acting Chair:** They aren't necessary. Anyway, the clock is now starting for your 10 minutes.

**Mr Colle:** Just for the record, I know that the member on the government side mentioned in his conclusion that the Highway 403 accident, the Tobias inquest, was not the fault of highway design. I should also note for the record that the inquest made recommendations on improving safety on Highway 403. They recommended better lighting, installing centre median barriers and paving the gravel sections of the left shoulder of Highway 403. Those were the inquest's recommendations. I'd like to put that on the record also.

In other words, Highway 403 is not a perfect highway. It wasn't designed perfectly. There have been some serious accidents where people have driven across the median and hit oncoming traffic, so the inquest has made recommendations.

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Also, just a last comment on the standards, I hope that in the inquiry that takes place on the safety of Highway 407 there is an examination, with documentation, of these changes, because in the auditor's report it states very clearly, "Clearances to obstructions were lowered to 5 and 8.5 metres from 10 metres." This is a change in a standard, or is there documentation that shows it wasn't? "Entries and exits from speed change were lowered to 446 metres from 500 metres. The minimum radii of inner loops for tollway to freeway...were reduced to 75 metres from 120 metres." So in black and white it says there were changes. I think it's up to the inquiry to find out whether these changes had any impact or might have any impact on safety. That is what's got to be addressed, and I think it's for the inquiry to address.

I have a question that I think we first encountered with this project when we looked at it with the auditor's report: the tendering of contracts. As you know, today there is another story in the newspapers saying that the highway opening is going to be delayed. I know that in your brochures, in your advertising, in all the statements that have been made by the minister, by the vice-president of the consortium, Margaret Kelch, they keep on referring to December 31, the end of the year, as the opening date for the new tollway. It's always December. All of a sudden the minister said yesterday, "No, it's not December; it's March 31."

**Mr Galange:** That's not what —

**Mr Colle:** Let me just complete, okay? My understanding of it is that this contract for the electronic tolling devices was given without tender to the losing consortium. The rationale you gave was that it would save time even though it might be more expensive. Now we have a situation where the electronic tolling equipment, the transponder-related equipment or the photo devices, are not going to be ready as you had planned. Doesn't this



defeat the whole rationale that you gave the Provincial Auditor about why you gave the \$72 million without tender and without going to the lowest bidder?

**Mr Galange:** First of all, to answer that question, the Star article from this morning is wrong. The minister did not say that the project was not going to open until the end of March. The reference to the end of March by the minister had to do with the fact that the contracted date for the delivery of a fully functional toll system, which included the transponder-based system as well as the video-based system, is March 31, 1997. We expect that system to be delivered early from that date. The consortiums are still targeting December 31, 1996, for completion of their acceptance testing on that system. Whether it opens January 1 will remain to be seen based on other variables, including the independent study that the minister is proceeding with.

The consortiums, as I said, are still working on that year-end acceptance date. There are some tests that are important tests because of the timing of the integration testing of the system that will be forthcoming in the next two to three weeks. The outcome of those tests will be important in our confirming that year-end date, but nobody is off the record of saying that date is still not the completion date. That article is incorrect.

To move on to your comments with respect to the decision on altering the tolling system, there was a competitive procurement. There were two proposals submitted and we elected to select what we believed was the best one. That was the integrated electronic toll system. That system was going to deliver to us what we wanted. We didn't want toll booths on the highway. We wanted a fully electronic system.

The decision that was made, that we would proceed with that system as opposed to go back to the marketplace at large and go through a complete tendering process, had a significant economic factor that had to be taken into account. A process of resubmitting tenders and going through that procedure would take up to six months. There is a substantial cost in delaying the project opening for six months. What we had in front of us was the system we wanted, it was a competitive procurement process, we selected the better of the two and we went with it.

**Mr Colle:** You're saying this \$72-million contract went out to competitive tender.

**Mr Galange:** Surely. It was part of the design, develop, build, operate, finance proposals, and the government left itself the flexibility of unbundling the components of those proposals and selecting the best of both proposals, so it selected the best design, develop, build of the highway and the best of the tolling alternatives.

**Mr Colle:** The only other proposal was from the losing consortium, was it not?

**Mr Galange:** That's correct.

**Mr Colle:** If you unbundle this thing and therefore that \$72-million contract is out, why would you not put it out to public tender to see if there's anyone else out there who might be able to provide that tolling technology at a lower price than the two you had on the table from the consortiums?

**Mr Galange:** First, as I said, when we looked at the tendering of the two alternatives we took into account the pricing as well. That's why I said a competitive procurement process was followed.

We got the system. We got the costs that would be related to that system. We got the system that we felt we wanted. These systems are not on the shelf. You don't go out there and expect that somebody else has in their back pocket a full electronic system. There are no other full electronic systems out there. The process would have been extensive to find potential suppliers that would have provided us with alternatives. The cost of waiting six months is over \$20 million worth of net revenue.

**Mr Colle:** But that's the point I'm making. It seems now there are some major hiccups with the system. You may lose those six months.

**Mr Galange:** No, we will not. As we sit here today, as we speak, we are still targeting year-end acceptance of that system.

**Mr Colle:** That's not what the minister said yesterday in a scrum. He said "March 31," that December wasn't the date in the first place.

**Mr Galange:** March 31 is the committed date for delivering that contract.

**Mr Colle:** So you're going to open the highway without the tolls. Is that what you're saying?

**Mr Galange:** That's not what I'm saying. I'm saying that March 31, 1997, is the committed date for delivering the toll system. We expect that toll system will be delivered earlier. The critical path they're following right now is to deliver that earlier, ie, December 31.

**Mr Colle:** So everything is going according to schedule on the new electronic tolling technology.

**Mr Galange:** We have some critical testing outstanding over the next two to three weeks. We need the results of that testing to confirm this.

**Mr Colle:** You're saying that if the tests go bad, there could be a major delay?

**Mr Galange:** There could be a delay if the tests are off and they need fixes that take time.

**Mr Colle:** The other question I have —

**Mr Galange:** But the article in the Star is incorrect, completely.

**Mr Colle:** I think you should get it straight with the minister, when you're going to open this, that there could be a potential delay. You've just said there could be a potential delay, and that's what the article is saying.

**Mr Galange:** The article said that it's delayed to March 31. That's totally wrong.

**Mr Colle:** I think you should ask the minister when he's going to open it.

The other question I want to get to you about is competitive tendering. As you know, the construction, design and build has been given to this consortium — 930 million of taxpayers' dollars. Are you in the process of awarding any contracts for the rehabilitation and maintenance of this highway?

**Mr Galange:** The rehabilitation contracts aren't being awarded now. Our provisions for rehabilitation are further out in the future.

**Mr Colle:** So you haven't awarded them yet — the rehabilitation?



**Mr Galange:** No, there are no contracts to award for rehabilitation.

**Mr Colle:** Maintenance?

**Mr Galange:** Operating and maintenance for the highway has been awarded to the tolling consortium that's delivering the toll system.

**Mr Colle:** When did you do that?

**Mr Galange:** This was part of the original proposal when we accepted the toll supplier and when we accepted the contractor for the highway. That's when the operation and maintenance was awarded.

**Mr Colle:** So the operation and maintenance contracts were given to the same consortium. That's part of the deal.

**Mr Galange:** That's right. Remember there were design, build, operate, finance proposals that were competitively procured on the table.

**Mr Pouliot:** It's intriguing, and indeed I too need your help, sir: Two consortiums filled the criteria and were allowed to enter the bidding process, right? When they put their best proposal forward was there somebody to monitor ethics to make sure the process was strictly, religiously adhered to, that everything was aboveboard?

**Mr Galange:** Absolutely. We had outside consultants that were specifically doing that role.

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**Mr Pouliot:** Will you name the firm?

**Mr Galange:** Price Waterhouse.

**Mr Pouliot:** Price Waterhouse. Say no more. In terms of your obligation, and it's well set — you have criteria for early completion — you also have a responsibility should the targeted date for completion not take place. I have again in front of me, on my page 11, "late completion payment." If you don't deliver the goods, if you don't open the highway, you can't charge motorists. Right? And you cannot pay back the corporation. Under the tutelage of the province, they wouldn't wish to be on the hook, would they?

**Mr Galange:** That's correct.

**Mr Pouliot:** This is a toll operation. This will pay for itself. That's the way highways, major projects, might function in the future. You have an alternative which is that of the 401, but even at 12 lanes it's oversubscribed. It gets congested. We're all painfully aware of that. So you build the 407, six lanes, three each way, to alleviate traffic; 69 kilometres. If you can't deliver on time, you are subject to a penalty, aren't you?

**Mr Galange:** Yes, you are.

**Mr Pouliot:** Although you will do things strictly in accordance with the plan, that's been well established — so the pressure's on you. Money in pocket, and everything that derives from that, the general public who are waiting, the bankers who wish to get their money back, or the debenture holders, the coupon clippers, people who have advanced the money for the project — it's time to pay back now. And that's okay. In fact, it's honourable. It's good partnership.

There are all kinds of conditions when we look under "contractual arrangements": default by developer, termination, suspension and remedies. It reads like a lament, a litany of "you must." Should you fail, you carry the guilt and you pay the price, fairly big time?

**Mr Galange:** Very substantial.

**Mr Pouliot:** This is an agreement with the acquiescence, the support, of the province, the building of the 407, still the largest highway development in North America. A flagship. Something to really look forward to.

The conditions, including the termination rights, are contractual. This is what the law says. That's an agreement we have. It's signed by both parties. The arriving at this was not only sanctioned but was guarded by the professionalism and reputation of Price Waterhouse.

If I were to ask the gentleman who is with us who was the unsuccessful bidder — are you, sir, satisfied with the way the exercise was conducted, although naturally you would have wished that you would have been the successful bidder?

**Mr Nairn:** You're asking a difficult question of a loser, but I have to honestly say, yes, I'm satisfied.

**Mr Pouliot:** That speaks highly of your regard for ethics, sir, because it's not every day that one is asked to bid on \$929 million, aside from the tolling mechanism.

Incidentally, I lost this part of this project. I was in favour of having one lane which was to be manned. Someone was to be the operator, so you would give everybody an opportunity to make a donation for usage of the highway. After many good meetings, Mr Guscott, I probably lost that. That's one I lost. I lost many more, but that's one that I know I lost.

I really have no more questions. I think the record has been set straight that there was no lowering of standards; absolutely not. In fact, I'm satisfied that Highway 407 will exceed, surpass any standards built on any other highway. I will leave with that.

**The Acting Chair:** We have about 15 minutes left, so we can go for one more round, five minutes apiece.

**Mr Carroll:** Just to set the record straight on Mr Nairn's being here, he was invited as part of the OTCC delegation, so he's here on their behalf.

**Mr Colle:** He's not part of the OTCC.

**Mr Carroll:** But they invited him to be here. We didn't invite him as a committee. So that's how he is here.

Just some reference to some comments that Mr Colle made about Highway 403 and the inquest recommendations: They made sense to me, as a layperson, but I'd just like some comments from our experts here. The Tobias inquest recommendations involved better lighting, more control over the median deal and paving gravelled sections. Can you make some reference to what, if any, consideration was given in the construction of Highway 407 to those particular inquest recommendations?

**Mr Garner:** Two of the three recommendations actually are incorporated into the work of Highway 407 in that the inside lane does have a paved shoulder. We do have high-mast illumination. However, we exceed the median width of 403 by some considerable amount. The median width on 407 is about 50% wider than the median width on 403.

Perhaps since we've touched on that tragedy, I think it should be clear that there were other findings of the jury around that particular tragedy: That Mr Tobias had never been a licensed driver, he was intoxicated at the time of the accident and he had taken the vehicle without the



owner's permission. There are accidents that occur on our highway system and tragedies such as that. If the committee is asking, do all our standards save accidents of that nature, when you've got excessive speed or alcohol or unlicensed drivers, I don't believe there's a highway system in the world that will accommodate that sort of activity.

Clearly our recommendation would be for certainly enforcement and regulations around that so that the public using our highway system operates in a safe manner, that they operate at or below the speed limit, that those limits are reduced when there are inclement weather conditions that we have in Canada. We cannot put a safety system in place that will accommodate that sort of activity.

**Mr Carroll:** Just to summarize what you've said, because I think it's very important, Highway 407 has better lighting than Highway 403, it has a paved inside shoulder, which 403 does not have, and it has, on average, 50% wider medians. Is that a summary of what you said was the comparison?

**Mr Garner:** That's correct. Could I add one more point to that? In the value engineering exercise that we went through — and this hasn't come out in the auditor's report, and since this happened three years ago, some of these things are now coming back into my mind — one of the things that we did on the value engineering and the original layout for 407 was for a 10-lane concept. We said if we're having a toll highway, there is going to be some portion of the public that would have used the free road that will not use the toll highway. We determined that an ultimate eight-lane section would be more appropriate, so in the value engineering the 10 lanes were reduced to an eight-lane cross-section.

But as part of that we said — and that's part of the objectives that we've alluded to throughout this process — that we want to protect for other public policy initiatives, and one of those initiatives would be high-occupancy-vehicle lanes. That's lanes where two, three or more drivers or buses get that reserve lane. When you do that, you need a separation between that lane, because the assumption is that the traffic in that lane is free-flowing, against other lanes in which the traffic might be more congested. This is quite prevalent in the Los Angeles area. So we allowed an extra metre of pavement to separate those two lanes. In fact, you end up with a median — initially because we're not building those HOV lanes — that has an extra metre on either side, so therefore two extra metres.

Contrary to the impression that I think has been left in the press that the median was narrowed or something, in fact it was enlarged. That's why we have the range when we talk about between 22 and 24 metres. There was a section of grade already constructed by MTO that stayed at 22. The other area is, to make this allowance for HOV lanes, we've got 24. So you've got a wider median as a result of the value engineering.

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**Mr Colle:** Just in terms of the record, as we know, no matter what laws or rules you have on the roads, you're always going to have people who perhaps are either dangerous drivers or, sad to say, they may be drunken drivers who cause harm and injury to others. That's why

the inquest into Tobias made certain recommendations. They could have easily said: "Well, Mr Tobias was a bad driver. He was drunk etc." They said, "That happens on our highways," and that's why they made recommendations for increased safety on 403.

I think that's the principle we should be adhering to, rather than saying: "Well, so-and-so was a poor driver. It wasn't anything to do with the highway." I think we look at the accidents and we say, "How can we make our highways safer?" I just want to put that on the record.

Getting back to the contracts, will you be awarding a maintenance contract for Highway 407?

**Mr Galange:** We have awarded a maintenance contract for Highway 407.

**Mr Colle:** Whom did you award it to?

**Mr Galange:** It has been awarded to the tolling consortium and it has been awarded to Canadian Highways.

**Mr Colle:** Was there any tender?

**Mr Galange:** It was part of the original competitive procurement as part of the original design, develop, build proposals. We selected the operating maintenance proposal from Canadian Highways and we selected the operating and maintenance piece for the tolling consortium that we also —

**Mr Colle:** But as you know, the auditor disagrees with you. He said that after you unbundled this — in other words, you split it apart. Because the whole deal changed. As you know, originally it was supposed to be a public-private partnership and in that sense, what the deal is, the taxpayer is paying the whole shot. After you unbundled this, you had an opportunity to go out to the public again and say, "Are there any companies out there, outside of this monopoly, that will provide for maintenance on this highway?"

In the public interest, for saving dollars and getting the best contract possible, how could you not go out to public tender? You can't say in this case it's got to do with high technology, because this is maintenance.

**Mr Galange:** No, you're wrong, it does indeed. The majority of the operation and maintenance cost is related to that portion of operating and maintenance that pertains to the tolling system.

**Mr Colle:** What about the non-tolling maintenance?

**Mr Galange:** That's the smallest portion of the cost.

**Mr Colle:** So why wouldn't you tender that out?

**Mr Galange:** But hold on. The majority of that cost — let's say the highway portion is a number of 100, to pick a number. The majority of that number 100, probably 80%, is going to be subcontracted out under a competitive process anyway, and they've already done that. For example, the winter maintenance was a complete tendering process that followed the guidelines and policies we directed. The vast majority of those components will be tendered out. All we're talking about is the general management of that, a small team, a small resource allocation by Canadian Highways to oversee that on our behalf. Why was that important? Because they're also integrating the tolling with the highway construction and they represent us on the decisions or are helping us with the decisions relating to tolling. So in the process of delivering the system, they're in the best position to



identify how we should organize ourselves to carry out the maintenance.

**Mr Colle:** Yes, I'm beginning to wonder, what's the relationship here? Aren't you supposed to be protecting the public interest? Highways International is a private consortium, right?

**Mr Galange:** Yes.

**Mr Colle:** You seem to be basically defending them at every turn —

**Mr Galange:** I don't agree with that. How am I defending them at every turn?

**Mr Colle:** — and justifying going out without tender for the tolling contract and maintenance contract. How is that according to basic common practice in the provincial government, going out without tender in these contracts?

**Mr Galange:** There was a competitive procurement process —

**Mr Colle:** No, no, you're playing with words now.

**Mr Galange:** — with the original design, develop, build.

**Mr Colle:** I'm talking about tendering out to the public whereby this maintenance contract and this tolling technology contract is advertised and anybody can bid on it. You restricted the bidding to the consortium basically. That's what you did. I'm wondering, what is your role? What is the OTTC's role here? I asked you about the safety concerns of the OPP. Well, Highways International doesn't know, we don't know, MTO doesn't know. Who's looking after the public interest here?

**Mr Galange:** We are.

**Mr Colle:** So in going out without tender you're looking after the public interest. That's what you're saying.

**Mr Galange:** I don't think you appreciate properly the scope of what operation and maintenance means. With respect to the tolling system, with regard to the system being delivered, we've received extensive performance guarantees, representation, warranties from the toll supplier. For them to have extended those guarantees, they have to operate and maintain the system. They're not going to be on the hook for multimillions of dollars if this doesn't perform and somebody else out there is running the system for them.

**Mr Colle:** I think the public is on the hook —

**Mr Galange:** It's inextricably connected —

**The Acting Chair:** Thank you, gentlemen. Mr Pouliot, five minutes.

**Mr Pouliot:** Thank you kindly. In this case a young man dies in a traffic accident and an inquiry finds out that the young person unfortunately was impaired and furthermore wasn't licensed to drive. It poses a challenge, but I fail from a technical point of view to come up with the answer to defend against those unfortunate excesses. My colleague mentioned about competitive bids. Approximately how many companies were represented under each of the two consortiums?

**Mr Galange:** I believe over 30.

**Mr Pouliot:** Over 30. That would be 30, and 30 for the —

**Mr Galange:** I believe the total was over 30 companies.

**Mr Pouliot:** You were looking at 60 companies, with the consortium, let's say, having approximately 30 companies. That's competitive indeed.

It was also mentioned by my distinguished colleague Mr Colle that the taxpayers are — I can't quote verbatim — on the hook or they're paying for all this. My understanding is that the corporation was formed to facilitate and that, as you charge the toll, the money comes back to the people, to Ontarians, who fronted the money through the taxpayers. Is that not a good assumption?

**Mr Galange:** The toll revenues pay for all of these costs, and in addition to these costs we pay the debt associated with building the project.

**Mr Pouliot:** So it's user-pay. Right? Of course, you use it, you pay, and the money comes back. Well, one could say it's really not funded straight out of the public purse, like Highway 401 is totally paid for by the taxpayers. In this case, if you use it, you pay and the money goes back to pay back the loan.

**The Acting Chair:** It would look like, unless there is anything else for us to do today, we've covered the issue. Can I get agreement that we have adjournment?

*The committee adjourned at 1159.*





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Mr Bill Grimmett (Muskoka-Georgian Bay / Muskoka-Baie-Georgienne PC)  
for Mr Beaubien  
Mr Trevor Pettit (Hamilton Mountain PC) for Mr Gilchrist

**Also taking part / Autres participants et participantes:**

Mr Erik Peters, Provincial Auditor

**Clerk / Greffière:** Ms Donna Bryce

**Staff / Personnel:** Ms Elaine Campbell, research officer, Legislative Research Service

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First Session, 36th Parliament

## Assemblée législative de l'Ontario

Première session, 36<sup>e</sup> législature

# Official Report of Debates (Hansard)

Thursday 28 November 1996

# Journal des débats (Hansard)

Jeudi 28 novembre 1996

## Standing committee on public accounts

Annual report,  
Provincial Auditor, 1996

## Comité permanent des comptes publics

Rapport annuel 1996  
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## LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON  
PUBLIC ACCOUNTS

Thursday 28 November 1996

## ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

COMITÉ PERMANENT DES  
COMPTES PUBLICS

Jeudi 28 novembre 1996

*The committee met at 1033 in room 228, following a closed session.*

1996 ANNUAL REPORT, PROVINCIAL AUDITOR  
MINISTRY OF EDUCATION AND TRAINING

**The Vice-Chair (Mr Mike Colle):** Welcome to the standing committee on public accounts. Please begin by introducing yourself and your position.

**Ms Jill Hutcheon:** I am Jill Hutcheon, the acting deputy minister of the Ministry of Education and Training.

**Mr David Trick:** My name is David Trick. I am the assistant deputy minister for post-secondary education for the Ministry of Education and Training.

**Ms Catriona King:** I am Catriona King, the director of the colleges branch.

**The Vice-Chair:** Welcome. We'll begin with a presentation for the committee.

**Ms Hutcheon:** I'd like to call upon David Trick to present the ministry's opening statement.

**Mr Trick:** I thought it might be helpful for the committee if we spent about 15 minutes explaining a little about our perspectives on the findings the Provincial Auditor made with respect to the college system. Following that, of course we'd be pleased to take as many questions as we can.

I believe everyone has a copy of a slide package we presented to members. Let me start with the second slide. The report of the Provincial Auditor on the college system comes to us at a time that's quite helpful to us, for two reasons: one is that as a ministry we are in the process of a significant policy review on what we want to achieve through the post-secondary education system; the second is that as a ministry we have recently reorganized to try to devote better attention to post-secondary education in general and colleges in particular.

As you see, the minister appointed in July a panel on future directions for post-secondary education, and that panel will report back to the minister on December 15. They've been asked to look at what we expect not only from colleges but also from the university system, with three particular questions in mind. One is the sharing of costs within the post-secondary sector, sharing between government, students and the private sector. The second question we asked them was to advise us on cooperation between institutions, both within each sector and between colleges and universities. The third question we asked them to report on was how to meet the future demand for post-secondary education, given that the number of students wanting to attend has been growing and is expected to continue to grow.

Following that policy review, the minister will obviously have an opportunity to respond to the panel's report, and we're hopeful that this exercise will help us in shaping some specific expectations for both the college and the university systems.

Internally, we are at the same time changing both our structure and our expectations of ourselves. Like all ministries, the Ministry of Education and Training has published a business plan this past year, trying to focus our own energies on providing strategic advice and direction for the education system; providing cost-effective programming and accountability; and in general trying to improve the specific expectations we have across the education system, of which colleges of course are a very important part. Within the college sector, we're aiming to achieve more relevant programming, more effective programming, and trying to make sure the colleges can be flexible and responsive in meeting changes in student demand in future.

On an organizational basis, we created this past summer a division responsible for post-secondary education, of which I am in charge. For a number of years, the ministry has not had any particular part of the organization responsible for colleges or for universities. Both sets of institutions have told us we needed to change that, and the former deputy took action this past summer to do so. I am the assistant deputy minister for that division, and Catriona King, who joined us in August, is the director of the colleges branch.

Let me take a brief minute to describe the college system as it now stands. I am on slide 4. We have 25 colleges; 22 of those are English-language colleges, three are French-language colleges. Collectively they have about 136,000 full-time students this year, as well as 190,000 part-time students. In addition, they have 407,000 part-time, non-post-secondary students. Those are typically people coming in for short training courses of perhaps a week's or two weeks' or three weeks' duration.

The average age of college students this year is 25 years old. Some 38% of them apply directly from high school to the college; in other words, the majority do not come straight out of high school. They've either had experience in the labour force or they come to colleges from, say, universities or from some other background. Some of them have been out of the labour force for some number of years. Academic staff, about 8,000; support staff, about 6,400. That includes many staff who don't directly teach but who are involved in — say, laboratory assistants or some other academic function.

Let me turn to the question of the responsibilities of college boards of governors. Every college has its own board of governors, has 17 representatives. One is the



president, four represent staff and students of the college, and the other 12 are from the community, particularly from employers or other groups within the community who would have a direct need for the services of college graduates.

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Boards are required by both regulation and policy to set the general purpose and direction for each of their individual colleges and for ensuring that the colleges are efficiently and effectively managed, including their financial management, management of their physical plant and so on. They're responsible for establishing policies that have college-wide application, and they're responsible for promoting effective communication with the college community. By virtue of the fact that 12 of the 17 members are from the community, there is an intention to have a close relationship with people who are potential employers.

The employment profile among college graduates is something we survey every year, and we have a number of years of data on this. Six months after graduation every college graduate is contacted, or at least attempted to be contacted, to find out what their employment status is six months later. We see, for example, that for 1995 graduates, 82.6% said they were employed six months after graduation. The balance are either unemployed or, in many cases, have chosen not to be in the labour force because, for instance, they may have gone on to further education or they may have family responsibilities which mean they're temporarily not in the labour force. That figure, 82.6%, has been fairly constant for the past four years. There was a bit of a dip in 1993 when the recession was at its worst.

One of the questions we ask the student is, is your employment directly related to your field of study? There you see the performance is not as strong. For the most recent year it's 47%, and that figure's been fairly constant in recent years. It's much different from what it was during the peak of the economic boom in the 1980s. In 1987, for example, the figure of directly related employment was a little bit over 80%. This figure has diminished quite a bit for reasons we need to know more about.

For instance, if a student says, "My employment isn't directly related to my field of study," we need to know, was it closely related or was it not at all related? Is it a job that really they didn't need college at all for? The survey doesn't tell us that.

We also need to know, for students who have taken a course of study and then are not working in that field, was there something they could have known about at the start of that course of study or did circumstances change while they were students?

In addition, in future we'd like to set some better benchmarks so there is improvement in this area, so we need to determine, what is a good benchmark? Given the current condition of the labour force, what is an appropriate percentage that we should aim for?

Those are all areas where we need to know more and where we need to set better targets.

To continue on page 7, in terms of the employment profile by specific program area, you see it's not uniform

across the case. In most programs the share of students who subsequently are employed six months later is 80% or better. There are a couple where that's not the case, technology being 75% there.

In terms of relatedness to program of study, the highest performance is in the hospitality programs and the lowest performance is in social services and in nursing programs, and those reflect, obviously, the employment circumstances in those sectors. We do have those data, and we can break them down for every college and for every program.

We talk a bit about enrolment patterns in the colleges in slide 8. Enrolment has grown quite substantially, and in large measure that's due to the changing economy. When there are larger numbers of people who cannot immediately gain employment when they leave high school, of course the question arises, would they do better if they went to college, and many of them take that route. As well, there has been a long-term trend towards more jobs that require beyond high school education. Both those reasons, the cyclical ones and the long-term structural ones, are driving more people to attend colleges.

You'll see that there's been fairly flat enrolment for the last two years: 136,000 this year and just a shade under that last year, but quite substantially up from the late 1980s.

On slide 9, you'll see that the college system has actually been affected more than other parts of the education system by the growth of enrolment. Over a 10-year period there's a 42% increase for colleges versus 16% for universities and 15% for schools, schools obviously drawing on a different age group.

Another factor that influences the accessibility of the college system is tuition levels. Tuition is set by the province, and for the current year it's \$1,275 per college student for a nine-month program. By comparison, university programs are almost \$3,000 this year, being the average for an arts and science program.

We do provide student assistance to college students as well as to university students. So far in 1996-97 we have 69,000 college students receiving OSAP, some of those part-time, some full-time; that's about one third of the total full-time/part-time enrolment. The average college student loan is \$7,300, but that obscures the fact that they're in different family circumstances. For a single college student, the average is about \$6,000, obviously higher for people who have family responsibilities.

Slide 11, productivity improvements in the college sector: Here we look at, what is the cost per full-time student at colleges on average? This is measured in constant 1986 dollars. You see that there has been improvement in cost-per-student ratios over the past decade, and particularly in the last five or six years.

In measuring this, we take the operating grant that the province provides, we add in the revenues that come from student tuition, and we divide it by the number of full-time equivalent students at the colleges. You see the change from about \$5,800 in 1986 to about \$4,100 in 1996. Again, these are all measured in 1986 dollars. The current year, if you measure it in current dollars, is \$4,731.



Let me say just before we leave that, with respect to the financial viability of the college system, obviously, as colleges have been driven to become more productive and to make better use of the dollars we can provide to them and that students can provide to them, there's been a need on our part to monitor very closely the financial health of every college to ensure its viability.

Under regulation, every college that finds itself in a position of having an operating debt is required to seek the minister's approval for that. Our present minister has a requirement that in order to get that approval, one has to provide a plan for getting out of debt within two years, and we monitor every three months the progress of colleges in meeting their plan for getting out of debt. That process is in place, so that at the same time we're driving productivity improvements we are also trying to keep a close touch on the financial health of each college.

Let me now turn to the report of the Provincial Auditor and some of the specific issues it raises. I'm on page 12. The stated objectives of the audit were threefold: first, to measure and report on the effectiveness in achieving legislative and stated goals and objectives for the colleges; second, ensuring that colleges deliver quality programs economically, efficiently and in compliance with the statutes; and third, monitoring the financial condition of the colleges and controlling payments that are made to colleges under the act. Just on the last issue, the auditor concluded that the ministry has satisfactory systems and procedures in place to ensure that grants paid to the colleges are in accordance with funding policies.

In terms of accountability, on page 13, one of the expectations we have from the post-secondary advisory panel I referred to earlier is that through their work we can help shape more specific goals for the college system and to do so in a measurable fashion. That's one of the objectives we have from there, and we're hoping that over the coming year we can do better than we have in the past on that front.

On page 14, in terms of cooperation, clearly the fiscal restraints that the colleges have faced are driving greater potential for cooperation among institutions. You see some of the areas of potential cooperation listed there: programs, resources, some services and some administration.

There are a couple of things I can report we are doing in that area, one with respect to the funding formula. One of the observations in the auditor's report is that the funding formula has tended to drive enrolment growth rather than quality, and I think many of us have come to that conclusion. Certainly the college presidents are quite interested in changing the funding formula in a way that would reward quality as well as involvement. They are developing a proposal — I met with them on this subject last week — and we've agreed to continue working on that with a view to trying to build in a different system of rewards through the funding formula.

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There's a related issue in terms of sharing services. Again, the presidents have come to that conclusion as well. There are areas, for example in administrative services, where they would like to share information technology; they already do that on applications and

admissions. Catriona King met with them last week on that subject as well, and I think we'll be in a position to do better on that within the coming year and record some progress.

Let me turn to the issue of governance. I'm on page 16. Here we talk about the role, the mandate and the powers of college boards of governors. I indicated earlier that much of this is spelled out in legislation and in regulation. The ministry does intend to work to provide a clear articulation of government's expectations of boards and how that fits into our overall accountability framework.

I want to note that the Council of Regents, the overall governing body for the boards of governors, is also working with boards and with presidents to address the issues that were raised with respect to holding presidents accountable for their own management. They have established a working group on presidential processes to look at particularly issues like annual performance reviews for each college president.

Let me report, very briefly, on the question of cooperation among colleges. There isn't a specific slide on this, but I'll flag a few things and we can talk about them further as we take questions.

One of the priorities the ministry has had for the past several years is to encourage more cooperation between colleges and universities. There are a number of institutions that have some specific progress they can report. I'll cite some examples.

Durham College has arrangements with York University, with Trent and with Ryerson to offer university programs in the Oshawa area, where there is no university, and directly link those two college programs offered by Durham so that people can take courses in their own community without having to travel to any of those university institutions. McMaster and Mohawk are developing a facility that will offer joint programs in health sciences in Hamilton. Seneca is building a new facility on the campus of York University, where there'll be joint programming in a number of science areas as well as in communications areas. There are a number of specific arrangements between institutions that are not on as large a scale but they are important signs of progress, and it's clearly an area where we'd like to do more.

In terms of the quality of college programs, I would certainly come to the same conclusion that the auditor's report came to. We have a number of processes in place to improve quality among college programs. We do not do as good a job as we need to on knitting those processes together. We have a process for approving new programs when they start. We have a process for setting standards. We have advisory boards for each program at each college that try to improve the quality and the relevance of the program at the individual college. But we don't have a good process for knitting those together into an overall improvement in the quality of college programs, and that's an area where we need to do better as well.

Let me sum up. I'm conscious of the time here. Clearly, we do have objectives for the college system: job-oriented programming, training people so they can get jobs when they graduate; we need to make the colleges



as accessible as we can so that there is a space for students who are qualified and who are interested; we have to achieve resource efficiencies at the colleges as well as within the rest of the public sector; and we have to maintain their financial viability so that even as they face these challenges they do continue to be viable.

That's a snapshot of things we are doing. I leave it there and turn back to you.

**The Vice-Chair:** Is there anything else that Ms Hutcheon or Ms King would like to add? Thank you for that overview. We'll have about 10 minutes for each caucus for questions.

**Mr Bill Grimmett (Muskoka-Georgian Bay):** I'm interested in the issue of accountability and the references made to it in the auditor's report. First of all, could I have the date of that report, please? I can't find it in my materials.

**Mr Erik Peters:** It was tabled in the House on October 15, 1996.

**Mr Grimmett:** When would the ministry have first started working on that?

**Mr Peters:** From our perspective, I would say the final draft was around May 1996.

**Mr Grimmett:** But when would the Ministry of Education and Training have received it and started working on it?

**Mr Peters:** Probably in May when the final draft came out.

**Mr Grimmett:** With respect to accountability, Mr Trick, you spoke about the kinds of responsibilities that the individual boards have. It sounded like there was a lot of emphasis on the accountability of that board to the communities in which the college exists. Is there any accountability built into the system on those boards to the overall community of Ontario in their contemplation of the college's operation and performance?

**Mr Trick:** In raising the question you've hit on what I think is one of the fundamental changes the college system is going through. When the colleges were set up they were quite clearly thought of and referred to as "community colleges" and the boards were quite explicitly mandated to serve their communities. There is a Council of Regents, which is, if you like, an overseeing body for this system as a whole, designed to address directions for the Ontario community as a whole, as you put it, but I think there's recognition that this kind of governance structure has not done as much as it needs to in terms of serving the province as a whole.

**Mr Grimmett:** If I could get into the recommendations by the auditor, he's recommending in the report that the ministry establish some kind of system to track the performance and basically set up more accountability on a province-wide basis. What is your ministry doing in that regard and what kind of time lines do you have in mind for implementing a response to that recommendation?

**Mr Trick:** In terms of time lines, clearly the coming year is going to be a critical year. We will have in the middle of December a set of advice on new policy directions for both colleges and universities. As a government, the government will take on the task of determining, based on that advice and other sources of advice,

what they see as the intended objectives of the college system. We'll have responsibility for setting out some measurable benchmarks in terms of how you measure whether you're achieving those objectives. All of those things I would see as key parts of our mission for the coming year.

**Mr Grimmett:** Could I ask you a little more specifically how you see that process developing? Do you see the colleges, on an individual basis, reporting back to you, to the ministry?

**Mr Trick:** In most areas the colleges report directly to the ministry on their progress, in that we fund them and we would expect them to report to us on progress, just as, for instance, the employment report is a report for the ministry. The Council of Regents has some specific responsibilities, notably with respect to collective bargaining, and there are obviously some areas there where the council has a very clear function.

**Mr Grimmett:** But you haven't answered the question. Do you see the individual colleges as reporting back to the ministry on these benchmarks, these standards you're trying to set?

**Mr Trick:** Yes.

**Mr Grimmett:** Would that information be made public?

**Mr Trick:** We would normally make it public. I haven't defined the information yet, but I don't see any reason why it shouldn't be.

**Mr Gary Fox (Prince Edward-Lennox-South Hastings):** The ministry referred to a working group developing guidelines concerning the process used to appoint, review and remove college presidents. Has this working group presented its recommendations?

**Mr Trick:** The working group is in progress, and I understand they're aiming now for early in the new year. That's their time frame.

**Mr Bruce Crozier (Essex South):** Good morning. I want to touch briefly on tuition. When you were on page 10 of your presentation, when you referred to tuition fees you made some reference to the student loan program. How are those loans dispersed to a student? If I qualify for \$5,000 or whatever the figure might be, do I just get a cheque for that?

**Mr Trick:** The amount that you owe to the institution does not come to you in the form of a cheque, but your living costs do. That's paid once every academic term, say in September and again in January.

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**Mr Crozier:** I want to refer for a moment to the business plan. More specifically, in that business plan there is reference made to the fact that, "Over the next few months, each ministry will initiate discussions with their stakeholders and the general public, seeking comment on their business plans and proposed performance measures."

This business plan came out in May. Can you tell me what has transpired since May that would give me some information on those steps that I just mentioned?

**Mr Trick:** In the post-secondary sector, the key exercise that we are using to develop measures and to develop objectives for the system is through the advisory panel that we've set up. The panel is chaired by David



Smith, who's the former principal of Queen's. It includes on it Fred Gorbet, who is a former Deputy Minister of Finance, David Cameron who is a professor at Dalhousie University, Catherine Henderson who's the president of Centennial College and Bette Stephenson, the former minister.

They have undertaken quite extensive consultations throughout the months of September and October where they have met directly with every college and every university in the province. In doing that, they've met not just with the presidents but also with representatives from faculty, from students. They have met with a broad range of public groups from outside the college and university sector. I'm thinking of business groups, some labour groups, community-based organizations and so on.

Through those consultations they have had what I think is probably the broadest process that we've gone through as a ministry in a number of years in this sector. They are now writing their report and it'll be available to us in December. Out of that exercise there has been very broad consultation on what people see as future directions. Of course, the briefs that people prepared — and every institution and every group prepared a written brief — are public documents and of course are available now to the ministry and to anybody else who wishes to see them.

**Mr Crozier:** When an advisory group such as that carries out its mandate — travels the province, talks to people — what part does ministry staff play in that process?

**Mr Trick:** There are a couple of roles that ministry staff would play. First of all, the panel itself has nine permanent staff who are all on loan to it from my division, so in a sense we provide the staff support to the panel itself. In terms of ministry staff participating in the consultations, I personally attended, I think, about 90% of all the consultation sessions as a member of the audience. As well, one or two of my staff would normally join me, not necessarily for the out-of-town sessions but the ones that were held here in Toronto. We participate as members of the audience in terms of listening to what people have to say, but we don't directly question the people making presentations.

**Mr Crozier:** Does your staff give any, I'll use the term, expert advice to the committee that may be part of their final report?

**Mr Trick:** We've provided a large amount of what I would call technical or background information for the committee in terms of where they want to know how current processes work or whether we can provide statistics on certain items. We provide a great deal of information to them. Of course, they have drawn on other sources as well by going directly to universities, to colleges, to other sources. But the short answer is yes.

**Mr Crozier:** At the same time, it's my information — I'm going to ask you if it's correct or not — that there was a government committee that almost paralleled this that was also holding some meetings. Are you aware of that?

**Mr Trick:** I am aware that they existed. One of the members introduced himself to me at one of the panel meetings. I really don't know very much about the process.

**Mr Crozier:** Okay. Then if you don't know much about the process, I assume none of your staff was involved in that kind of parallel group that was holding its hearings.

**Mr Trick:** That's correct. My understanding is that it was a function of the Progressive Conservative Party, so of course that would be separate from the ministry.

**Mr Crozier:** Also in your business plan there's a section that refers to key strategies, and it gives an example that of course "many ministries are moving away from delivering programs and services themselves. Where analysis proves that services can be protected and costs reduced, ministries are creating partnerships" etc, and you've spoken of some of the partnerships that you have. But I'm interested, since this is part of the ministry's business plan, can you tell us at this point if there are any areas in your ministry where they're moving away from delivering programs and services themselves?

**Mr Trick:** Let me speak specifically to the post-secondary sector. One of the distinguishing characteristics is that the ministry doesn't deliver those programs directly and of course hasn't. We either do it through colleges, which are crown agencies, or through universities, which exist as separate institutions under statute. There is a third vehicle of course, which are private vocational schools, which we regulate but which obviously are private. In that sense we have fully moved to that model in that part of education.

The additional responsibility I have with respect to OSAP is also one where for many years we've worked in partnership with banks. When you get a student loan, you do not get it from the ministry directly but you go to a bank. They raise the float and they administer the collections process, repayment process after you graduate. So in that sense too there's quite a full partnership where most of the actual implementation of the program is done by the banks or the financial institutions.

**Mr Crozier:** But the government fully guarantees those loans.

**Mr Trick:** We do.

**Mr Crozier:** Or does the government fully guarantee those loans?

**Mr Trick:** We guarantee those loans, yes.

**Mr Crozier:** So the banks are more carrying out an administrative process than actually loaning the money.

**Mr Trick:** The banks raise the money; they lend it. If the student fails to pay it back, we have guaranteed the loans and we are obligated then to reimburse the banks. But the actual process of going out and borrowing money from somewhere so that you can lend it to the student is done by the banks.

**Mr Crozier:** The government then pays the interest on that loan during its interest-free period?

**Mr Trick:** Yes. There's an interest-free period while the student is in school, and then after graduation, the student starts paying interest.

**Mr Crozier:** Can you give me some idea of the amount that's in float then in student loans that the government's responsible for?

**Mr Trick:** The amount that we will lend out this year will be approximately \$1.4 billion or \$1.5 billion to students.



**Mr Crozier:** Million?

**Mr Trick:** Billion, with a B. That's the amount that will be lent to students for their education and living expenses in the current fiscal year.

**Mr Tony Martin (Sault Ste Marie):** I've looked at all the documentation and the material that has been produced over the last year and a half about the post-secondary education system, and it seems to me it's certainly strong on the issue of moving to more accountability and ability to measure outcomes but very weak in describing where the college or university system fits in a larger vision of this province as we move into the next century and the role it will play in that.

It seems to me from my past experience that colleges and universities were seen by communities as much more than just vehicles to take somebody from primary or secondary education into the workforce or to help somebody who wants to change from one career to another. They were vehicles of economic development. They were tools to assess trends and they were much larger than just places where people went and took courses.

How can those of us who continue to see colleges and universities as much more than that be helpful in making sure they continue to be the vehicle that they were imagined when they were first instituted and that they were evolving into, and have now come to sort of a crossroads? Is there anything out there, any kind of blueprint into which the business plan fits the thinking that you're doing?

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For example, the Vision 2000 exercise was one that I thought included the whole community and was very much interested in making sure that students who came to college would be able to fit into the larger vision of community that many people who participated in that exercise had. Is there anything out there now at all of a blueprint nature that this very narrow business plan fits into?

**Mr Trick:** In terms of, is there something today?, the answer is, I think, nothing in particular that would fit the description you're talking about. One of the reasons we asked the advisory panel to take a look at these questions is to help us frame some specific goals for the college system, and let me just speak directly to colleges at the moment. We can get into universities if you like.

In terms of colleges, one of the big issues that is often debated in that sector, is how broad should the role of colleges be? There is a community role. There is very clearly a training role, training for employment very quickly after graduation. There are accessibility issues. To what extent are colleges expected to take in very large numbers of people who would not otherwise be ready for post-secondary education and make them ready so that they can benefit from college programs? There are economic development roles, and really one of the fundamental issues the panel is dealing with is, how broad is the role of colleges? It's clearly an area where we have to provide some clarification.

**Mr Martin:** It seems to me, and I don't think anybody would disagree, that Ontario is a jurisdiction that is envied by many around the world as a place that would be lovely to live in and to work in, and in fact over the

years businesses have chosen, in spite of some of the roadblocks that some might see, where they are to come and invest and develop opportunities for them to make money and to create employment.

It seems to me that over the years, through various governments, we have had an evolution of things. One of the really important pieces of that was the introduction of the community college system, which picked up a whole group of people who were falling through the cracks, who weren't getting the kind of education they needed before that because they couldn't go to university. It was I think identified that simply high school education wasn't enough anymore, so there was this piece put in and we began to see a whole lot of activity.

I know myself that in some of the communities that I worked in, Elliot Lake and Wawa and Sault Ste Marie up in the north, the college was very much a part of everything that was going on, that spoke of growth and health and people being involved and making sure we were picking up people who were kind of floating out there, not knowing where they fit, and all those kinds of things. I just don't see that any more in the same way and I know that the effort to try in the last couple of years to meld colleges and universities — there's a lot of work done in that area.

I know in my own community a grass-roots organization sprang up called Bridges that, as a ministry, we funded. It tied together Lake Superior State University across the river with Algoma University College, with Sault College to develop some new programs that responded to some of what we thought were the potential directions we could go in as a community, develop new industry that people could work in and enjoy and that would contribute to the quality of life in the community.

But as we take away from these systems and as we narrow the focus of what these systems will do with business plans and being more businesslike and the demand for accountability and measurement tools above all else, we're losing the essence of these institutions. Again, I worry that even though we have a business plan, this business plan does not fit into anything larger that speaks to, for me, where we're going to be in the year 2000, 2010, for my four children as they move into the system.

A few months ago we had a couple of students here, when the minister was before us in the standing committee on estimates. They were halfway through a social work program. I notice by your graph here that in the social work area now people are finding less and less opportunity to work in the field they're trained in. These two students were from Sheridan. They were asking the minister, through me: At this point in time, with the downsizing of government and the diminishing of opportunity that used to be there in the areas of health, social services, education — they're halfway through a program — they're wondering if there's going to be a job for them at the end of the line; if they should continue along that path or if in fact they should change and do something else, and what that something else would be.

I thought we were moving in a direction, with the OTAB initiative, that would have communities involved in deciding where the new industry was going to be,



where the new jobs were going to be. That again has fallen into a big black hole somewhere. I don't know where it is. In my community, I used to know who was active in the development of the committees and what was going to happen. That's gone now. Can you elaborate on that for me any further? Can you help me understand how this fits into that, if there is a that, and how I talk to students when I meet them about what it is they should be doing re their future and how helpful the college or university system is going to be to them in that?

I knocked on probably over 300 doors two weeks ago when I was back in my constituency for constituency week. People were concerned about two things primarily: One was the impact on the health care system of the cuts this government is imposing, and two was, if they had children, particularly if they were already well on their way through the secondary system or into the post-secondary system, what was going to be there for them; first, were they going to be able to afford to finish, and second, when they did, would they have a job?

There's lots of anxiety out there. There are a lot of good people who want to participate, who want to have their particular skill, ability, enthusiasm about an area appreciated and recognized, and to use it, but they don't know where that fits any more. They don't know where the college and university system fits any more in that bigger picture of where we're going together as a community of people.

**Mr Trick:** Let me just make a couple of observations. I hope these will put a bit of context here. From the time when Premier Davis established the first objectives for the college system in 1965, when he was Minister of Education, one of the objectives he laid out was that the college system should serve not just people fresh out of high school but people who either had not finished high school or who were older and needed to come back to post-secondary education. In that sense, I think the original vision of the colleges was and continues to be that they will serve quite a diverse group of people in the community and not strictly recent graduates. The figures I was showing earlier with respect to the fact that only 38% of new applicants this year are coming immediately from high school I think reflect the fact that for every part of the college system, that's a very crucial role.

In the Sault in particular, the relationship between Sault College and Algoma University College and the institution in Michigan is something that both the president of Sault College and the president of Algoma have talked to me about in some detail. It's an excellent example of a particular role that a college and a university college can play, particularly in a smaller community where there aren't a lot of resources they can draw on from the immediate vicinity. From my perspective, that's a clear example of some of the things you're talking about.

If you look at other types of communities, particularly the colleges in Metro, the areas immediately around Metro, they don't perform precisely that type of role. Perhaps you don't expect them to, because there are different sets of resources around and the focus on serving a particular type of student is somewhat stronger.

One might look to a future where there are different roles for different colleges, depending on what is the specific need of their community.

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That doesn't address all of the problems you mentioned. Clearly the macroeconomic situation, the labour market, are something that colleges don't control directly but have to work in that environment. If they don't respond effectively in that environment, then that's a problem we need to deal with, but there are lots of different ways that a college can serve a community.

**Mr Grimmett:** I'll return to the Provincial Auditor's recommendations. In the recommendations, the auditor has indicated that he would like to see more relevance between the programs put out by colleges and the labour market demand that's out there.

I've been surprised actually, as I go around to the factories and operations in my riding, to see the number that are related to the auto industry — because I'm 100 miles north of Toronto — and also the degree of sophistication in those operations. I'm told by people who run them that they have difficulty in Ontario finding the technicians, especially in computer design of auto parts and auto-related manufacturing. A lot of them have to go to Europe to find these people.

Do you see the ministry taking a leadership role to either force or encourage colleges to make these programs more available and perhaps to move away from some of the programs that you mentioned, which appear to be overstocked with students considering the lack of demand in the marketplace?

**Mr Trick:** The short answer is yes. I think as we do a better job of measuring the results of the colleges and trying to use those measures to shape what colleges do, we clearly have to respond as closely as we can to what the labour market needs. The particular issue you're raising, that we have shortages in one field and surpluses in another, is something that you would want to try to iron out.

In saying that, I guess I'm cautious in terms of what you might call central planning of the labour market. Clearly there has to be a role for free choice, for students to take some responsibility for their own careers and for employers to make their needs known. That kind of matching you would expect to happen through the private sector rather than through bureaucrats making decisions. With that caution in mind, I nevertheless would agree with your fundamental point.

**Mr Grimmett:** I think there is an expectation on the part of the public that the provincial government would take some initiative in that area. That's my own sense. There is a question I get from time to time as to why schools are turning out graduates in areas where there simply aren't likely going to be jobs for the foreseeable future. In that regard I'd ask you whether you see the provincial government perhaps taking a look at the number of community colleges out there and assessing whether or not it's necessary that there be so many of them offering courses, as an example, in nursing or law enforcement, or whatever that course is generally called.

**Mr Trick:** Law and security.



**Mr Grimmett:** Law and security, yes. Do you see the provincial government taking a stronger role in that regard?

**Mr Trick:** I think we'd like to improve the responsiveness of the system to what the labour market actually needs. Nursing is an example where the number of new entries into nursing has come down quite considerably over the last two years. It was close to 3,000 a year, and this year I understand the figure is about 1,500. It's also a good example of a field where shortages and surpluses have been fairly constant over the years. It's proven very difficult to calibrate precisely how many nurses you will need and make sure that you get precisely that number. Nevertheless, with that caution in mind, I think you're talking about a direction we'd like to see.

**Mr Grimmett:** Have you seen the lack of supply through your ministry of the computer design technicians and the need for them in the marketplace? Are you aware of that?

**Mr Trick:** Yes.

**Mr Grimmett:** Are there currently steps being taken by the marketplace through the colleges to increase the capacity for students in that area?

**Mr Trick:** One of the things we need to be sure we do there is to provide a funding formula that rewards people for serving the specific labour market needs when they are identified. Obviously it's been a very transitional year for the college sector in terms of dealing with the kind of restraints we've had to deal with all across the public sector, but as that situation stabilizes, the reward structure is clearly what needs to be calibrated.

**Mr Fox:** On that issue, the trend today has to change to job skills training, to what's needed out there. Does the workplace approach you or are you trying to approach the workplace to get the training in place for the needs of the future?

**Mr Trick:** The largest amount of interaction there takes place at the college level. Every college president hears from employers in his or her community saying, "These are the kinds of graduates we need, and we either are happy with what you're supplying us in terms of those graduates or sometimes we're not happy." So most of the interaction there takes place at the college level, sometimes through the president, sometimes through advisory groups that exist for each program. For instance, an advisory group for a certain program will say, "Look, this program is not as relevant as it should be and we need to change the program," or sometimes even saying, "Look, there's no further need for this program in this community," and so programs are cancelled. Most of it takes place at that level.

**Mr Fox:** I have talked extensively to the president of Loyalist College, which is in my next riding. They would like to see a different approach to this, because they feel education could be funded through different industries by the job skills training that could be provided. Has there been any consultation on that at all?

**Mr Trick:** Could you tell me a little more about what you mean by that in terms of funding by the job skill trades?

**Mr Fox:** By the employers out there, the companies that are looking for people trained in specific markets or

technology. The thing is, that's not really happening, they feel. They think there's a market out there and they could get specific funding for this from the marketplace if the job skills training were more in the direction that they would like to have employees trained.

**Mr Trick:** I think that's clearly a direction that is going to be a lot more prominent in the future than it is today. I've talked to the president of Loyalist about this as well and I think we had quite a good discussion on it. Every college today does some what you might call contract training or fee-for-service training, where an employer comes to them and says, "We would like you to train our employees to do such-and-such." It might be a one-week course, it could be a month; it's whatever the employer actually needs.

As colleges become less reliant on government resources, of course, both the incentive and the potential for going directly to private employers and offering training on that basis increases. It's something that I think as a ministry we want to do what we can to encourage. I've heard in some cases that people felt that either as a ministry we didn't support that or that we had regulations that were standing in their way. So I've asked them quite specifically to tell us what we can do to make that happen a little more easily, because it's clearly a great source of revenue for the college and a source of training for the community.

**Mr Jim Flaherty (Durham Centre):** I want to ask you a bit about tuitions, if I may, in post-secondary education. I've seen the business plan: "Without placing an undue burden on the taxpayers of Ontario, a new financial aid model for post-secondary students will be developed with the federal government to ensure access for qualified students." I understand the role of government in providing some financial assistance to people. What I'm wondering about is whether the ministry has a plan with respect to encouraging parents and students to save for post-secondary education. We're all familiar with the education saving plans that are available now which provide some potential source of funds for tuitions in colleges and universities. Has the ministry approached that subject?

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**Mr Trick:** We have not yet directly approached that subject, although I don't want to say it's not of interest to us. A number of the presentations that the advisory panel heard this fall raised exactly that question. As we go to a system where students are expected to pay a greater share of the cost of the education that they benefit from, clearly it puts more onus on students and their families to save in advance for that. My sense is that many of them would like to do so but they recognize, as you point out, that the existing tax structure doesn't give them any particular incentive to do that.

The registered education savings plans were changed this year to increase the amounts you can put in every year, so you can put in \$2,000 for each child in your family every year, but the actual tax benefit you receive from that is essentially nil for the parent. The benefit to the parent is strictly that the interest on the RESP is not taxable until it's actually taken out by the student, but the



amount you put in is not deductible. I'm sure, in raising the question, you're aware of that.

**Mr Flaherty:** It's taxable at the student's marginal rate.

**Mr Trick:** Yes, which one hopes would be much lower than the parent's. But that obviously remains to be seen.

There's also clearly uncertainty to the parent. If the child chooses not to go to college or university, the parent gets his or her money back, but not the interest.

**Mr Flaherty:** Perhaps I can just ask you what the ministry sees ahead. In overall figures now — I can probably tell from the reports, but maybe you can tell me more quickly — what percentage of tuitions now are paid by loans, I suppose, and what percentage are paid by students from their own resources or their parents' resources?

**Mr Trick:** I mentioned that about one third — oh, I'm sorry. Students versus their parents?

**Mr Flaherty:** Public versus private money.

**Mr Trick:** Roughly one third of college students this year, looking at both full-time and part-time, are receiving OSAP, which is an indication of the OSAP money being used to pay tuition first and then living costs second. I'm not sure I have the numbers that would answer your question more directly than that, but we could see if we could find a more precise answer.

**Mr Flaherty:** My next question was going to be where you are going in the future with this. What do you see happening in terms of who pays for post-secondary education? I take it you see it increasing from where it is now; that is, that the role of government funds will be lower.

**Mr Trick:** This is a question we've put quite directly to the advisory panel, so I don't know that the government will establish a future direction until we hear their advice. Clearly the share of the cost of education the students are paying has increased over the past year as we increased tuition on both the college and university sides. But in terms of future directions, I guess I'd have to hold off till the government establishes that direction.

**Mr Flaherty:** You mentioned Durham College earlier, which is an institution that we're proud of in Durham region. When the community colleges report financially to the ministry, do you perform any sort of audit function on them in cases where there is not a deficit problem?

**Mr Trick:** Where there is no deficit, the college itself is obligated under the statute — the board of governors is obligated — to have the books audited by a chartered accountant. If they are not in a deficit position, they don't need the ministry's approval, although of course we want them to report to us on their financial circumstances.

One of the things I have done in the past couple of weeks and in response to the Provincial Auditor's report was to meet with the presidents about standardizing their financial reporting. There have been a number of practices where one college was doing something differently from another, particularly in the area of accrual of severance costs and other restructuring costs. So we had that discussion. As well, we talked about putting budgets on the same basis as audited financial statements so that when people set a plan at the beginning of the year, it

looks something like the report they get at the end of the year, whether they met the targets. So we went through that discussion and there was agreement that colleges will do that starting with the fiscal year starting April 1, and we're now fine-tuning some of the details with them. For every college, we do take an interest in their audited financial statements.

**The Acting Chair (Mr Bruce Crozier):** Could we move on. Mr Colle.

**Mr Mike Colle (Oakwood):** Just a few questions. First of all, you made an interesting comment in reference to Mr Grimmett's question about what you do about students who keep enrolling in programs that don't offer any employment prospects, like nursing etc. Your answer was that we should rely more on the free choice of the students and not in any way try to interfere with that and let the market take place. But I find that a lot of students are basically unaware or unrealistic in terms of what job prospects are. In other words, they have this romantic view of what they'd like to do but very few of them have done any in-depth analysis, nor have their families, in terms of what their real prospects are as a result of taking a course in early childhood education.

Given the dramatic needs in other areas and the developing trends in other areas, don't you think it would be advisable for the ministry to maybe develop a disincentive program or some kind of incentive program to essentially tell these students and their families the facts of life, that if they enter into an early childhood education program, the likelihood of their getting meaningful employment at a certain wage is basically remote?

**Mr Trick:** Let me, if I may, restate my earlier answer. I believe that by setting objectives for the college system in terms of placing students in jobs that are relevant to their training, we're going to improve the share of students who actually do get jobs in their own field. It was in qualifying that that I said I didn't want bureaucratic decisions to replace students' choices and employers' choices. So we don't want to have no room for students and employers to express what they see as the future for themselves, but I don't mean to deny that we ought to do better in terms of those placements.

Some of the questions you're raising there relate to high school guidance functions and the information we provide to students at that level. I frankly am not an expert in that field. Did you want to speak to that?

**Ms Hutcheon:** Yes, just to mention that those are exactly the kinds of issues we are in consultation on now in secondary school reform. As you may know, we've been out in communities across Ontario and those very issues that you raise are ones that are coming to the fore in terms of how we might change the secondary school system to be able to make those decisions earlier on in terms of improved guidance and partnerships with employers in a cooperative sense. So it is being looked at through the secondary school reform as well.

**Mr Colle:** I appreciate that. The only thing I'm concerned about too is, isn't there a bit of a conflict in terms of the colleges' position in that they're advertising and trying to attract students? In fact, they're in competition for students sometimes. What is the incentive for them to say, "Don't come into our college and take



nursing, because of the job prospects"? Do they do that? Do they sit down before a student applies and does the college have any direction to essentially lay out the reality of employment prospects with a young person who might come in for nursing?

**Mr Trick:** In terms of whether they do it one on one, I think it depends very much on whether the student approaches the college rather than vice versa. But let me take it up a little to sort of management actions there. A couple of colleges did shut down their nursing programs this year permanently because of the question of employment prospects for their graduates. Others have reduced their intake. As I mentioned, the total number of new entrants this year is about half of what it was a couple of years ago. In that sense there is responsiveness both because students can see what's happening and because colleges have reduced their programs accordingly. So that does go on. What we need to do is try to improve the reward structure so that it goes in a more efficient way and that there is a better reward to the college for offering programs where students get placed in their field.

1140

**Mr Colle:** Okay, but there's no mechanism in place to be sort of preventive rather than reactive in terms of analysing market trends and saying, "This is a directive that we should be aware of in terms of what's happening in the job market for a specific field"? It's more done essentially on an ad hoc basis right now.

**Mr Trick:** I think colleges are being preventive in the sense that when they reduce their intake for these programs, which is what I'm describing, that is preventing a graduate from coming out three years from now who is unlikely to get a job in his or her field, if that's nursing, but it's done on a program basis rather than the ministry declaring that certain fields are open or shut. There are a relatively small number of health care programs where we specifically have quotas on the total number of people going through, but that's not characteristic of the whole system.

**Mr Colle:** To move to another area, you mention the situation at York University, where a branch of Seneca is going in. One of the trends I've noticed is that there are a lot of students who may have completed university and then are going back to college to get more specialized degrees. There seems to be more of a blurring of responsibilities in areas of study and course material between universities and colleges. I know there are traditionally two distinct areas which I guess the auditor is saying there should be more cooperation between in terms of credits being transferred etc.

With the dramatic changes that are taking place in the workplace — I give the example of the high demand for animation technologists at Sheridan, and I think Seneca just opened up a school also — what is studied in post-secondary education is no longer definable as being, "This is college and this is university." I don't know whether in Vision 2000 they looked at possibly doing a dramatic shift in identifying this blurring and saying perhaps what should happen is that a college or a university in a community should in essence offer both alternatives to students so that you don't have this ongoing conflict with credits, accreditation etc, and the ability of

students to go from a highly specialized technological area into a more philosophical, university approach discipline.

Is that one of the approaches of the Vision 2000 exercise or is that being looked at as something that may happen?

**Mr Trick:** I think the answer is that, yes, this is something we're seeing more of today and we're probably going to see more of in the future. I think of some of the specific things we're doing at present, simple things like publishing a guide as to what college programs are recognized at what universities and vice versa so that a student can understand if he gets into a certain college program how far that might take him towards a university degree in future if that's what he or she chooses to do.

We have established a consortium of colleges and universities to try to increase the number of joint college-university programs that are available. That consortium is chaired by Dr Tim Easley from Lambton College and Dr Dave Marshall, who is president of Nipissing University, and there are a number of colleges and universities represented on it.

As a ministry, we have dedicated some funding so we can essentially help start up some individual programs that will increase the choices available to students.

In dealing with this issue, one of the fundamental things we run up against is that we have a long history of colleges that were clearly set up not to interact with universities, and vice versa. Everything about the college system has been set up for the student who goes to college and does not go to university. I'm thinking of things like transfer arrangements, funding arrangements, admission requirements. There are certain admission requirements to get into a college program, but they wouldn't necessarily get you into a university program. All of these things have to be dealt with one by one before you have a more integrated system than we have. I don't want to minimize the challenges that are there, but there is progress we're trying to make.

**Mr Colle:** Would it be feasible for the ministry to do a long-range analysis of perhaps establishing a pilot project of a hybrid-type college-university to see how you could integrate the two areas and the disciplines they take to see whether it can be done so that we avoid a lot of the complications we're seeing in the system? I think they make the system inefficient and confusing to the students. My sense, as a person who's an observer now, and I've got children in and out of all of them, is that we're into a real transitional phase where there's this difficulty in someone saying: "I can just go to university. I'll be okay." You can't do that anymore.

Friends of my sons and daughters have gone to university; they go to Sheridan, they go to Ryerson. My own daughter, that's what she did. She got her BA and then went to Ryerson and did the two-year post-graduate course at Ryerson. It seems that everybody is now being forced to do something beyond university, and then the college students are being forced to go back and upgrade and specialize. But I just wonder whether it might be possible to look at maybe, whether it be York University or Durham College or somewhere, setting up perhaps a



pilot project to see how this might work as a future model and to use this as a way of testing this model for future integration and blending of some of these functions. I don't know whether the ministry has looked at that or whether that's a feasible sort of undertaking.

**The Acting Chair:** Can we have a quick answer so I can then move on to Mr Martin, please.

**Mr Trick:** Just very briefly, there are a number of different types of institutions one could set up. The progress that we've come to so far is, for example, to provide funding for colleges to locate on university campuses. I mentioned a couple of examples of that, the president of Durham bringing universities into his college. We have not gone to the next step of having an integrated institution. Whether we could get there, I frankly don't know at this point.

**Mr Martin:** I want to continue on, if I can, the train of questioning and thought that I was into before, which is this business of narrowing the role and the effect of colleges and universities to almost a business, the business of taking people who are either coming out of secondary school or coming out of the labour market without a job and fashioning them into something that then business can use, again, in a more appropriate way, hopefully for everybody concerned, and that in fact colleges and universities, like so much else that government offers, are much more than that.

If you look at the history of universities, there's always been an argument about their relative usefulness in society. Universities have been criticized by some as airy-fairy, theoretical discussion of all kinds of things that really have no practical use, when at the end of the day we know, in looking back over time, that that's just not true, that some of the great thought of our time and some of the great ideas come out of that kind of free flow of ideas.

It seems to me that when colleges were introduced it was imagined that they would perform a somewhat similar function for a different group of people, a place where people could come and find out what they're good at, through a variety of means, and interact with the community around what the community would like them to be doing. But we're moving away from that, and that bothers me somewhat because I think it will diminish the quality of life and the attractiveness of this jurisdiction, if you want to look at it from a business sense, to businesses which want to come in and invest, because really business is attracted to Ontario particularly because of the excellent education system we have in place. I don't think anybody would argue with that. That in fact is what the government is selling when it goes outside of Ontario, this wonderful education system we have.

1150

They talk about the health care system we have in place, which we sometimes have a hard time measuring, but we know that it provides for businesses which come and invest here an advantage over other jurisdictions where health care is much more expensive. Health care, of course, is not only an advantage to business but it's something that we as a community of people in Ontario and Canada value, something that makes us Canadian. Now it's becoming more and more that. It used to be the

railroad that connected us; now more and more it's becoming the health care system and things like that. Those kinds of systems are, in my mind, difficult to fit into this box of, you know, does it follow the accepted business practice of the day, is it measurable, is it accountable, all those kinds of things.

I present for your scrutiny, because I'm going to table it after, an article that was written by a management consultant who teaches at McGill University. He calls the article "The Myth of Society Inc." This is one of the world's leading management thinkers, who refutes the argument that the private sector can serve as a model for society and that government should be more businesslike.

I'll just read a small piece of it, and I am hoping that you will take it and have a look at it, because it's actually very good. It was actually shared with me by the CEO of the biggest corporation in our community. He has some concern about the drift he sees in government today, trying to be more like business, when he believes as well that government is government and business is business and there are different principles at play in each and we need to recognize that and not, as we seem to be doing these days, characterize everything that's public and government as bad and everything that's private and business as good. There's lots that we can take from each other, and there's lots that is different. I would suggest to you, who are in a very responsible position in the Ministry of Education and Training, that we need to have some people who are in this process of evaluating and determining where we are going remembering this and keeping this in mind.

It says here: "Next, consider the myth of measurement, an ideology embraced with almost religious fervour by the management movement. What is its effect in government? Things have to be measured, to be sure, especially costs. But how many of the real benefits of government activities lend themselves to such measurement? Some rather simple and directly delivered ones do — especially at the municipal level — such as garbage collection. But what about the rest? Robert McNamara's famous planning, programming and budgeting systems in the US federal government failed for this reason: Measurement often missed the point, sometimes causing awful distortions. (Remember the body counts of Vietnam?) How many times do we have to come back to this one until we finally give up? Many activities are in the public sector precisely because of measurement problems. If everything were so crystal clear and every benefit so easily attributable, those activities would have been in the private sector long ago."

I just give you, as a practical example, some of the damage that's being done to some of the communities I feel very close to because of the very fast and narrow decision-making that's going on at this point in time re our college system in particular. Places like Chapleau and Wawa and Hornepayne, that used to have the presence of a very vital and viable college system, however small compared to the larger entities that you know of down here, those colleges became, at some times and in some ways, the very heartbeat of those communities, because that's where people gathered. They would come together from various sectors of that community to learn some-



thing and, in that learning, to talk about the future of the community, and often new ideas and new things flowed out of that. Those small entities now, if they're not gone already, are in danger of disappearing.

I invite some comment from you regarding that. If we're going to follow strictly a businesslike management approach to things, then those vehicles will not exist any more, in my mind. If we see the delivery of government services as something more than that, and sometimes almost intangible and immeasurable, then perhaps they will survive. Where are we heading with the planning that's going on right now, in your mind, and is there any possibility at all that some of this will survive?

**Mr Trick:** Just briefly, in raising those comments, you raise some important questions about how we manage in a way that doesn't lose important things about the system which may not be leaping out as things we can measure. How do we measure things that are less tangible, even to the point of measuring things that are somewhat intangible in terms of community values and so on? I don't have a particular answer to that today, but I am interested in the article you mentioned, and I'd be glad to read it.

**Mr Martin:** This probably isn't a question I should be asking you, but I'm going to ask it anyway. How do I explain to people in places like Wawa, Chapleau and Hornepayne, who have come to see the presence of the college in their community as one of the vital pieces, like the hospital and the post office, of what makes that community a community and gives it some sense of hope that maybe there is a place we can gather and learn and bring new ideas to the table so that we might develop a community economic development plan that will see us into the next century, that will see the people there now continue to have jobs and be able to live and enjoy a quality of life that we've all come to sometimes take for granted in this province, how do I explain to them what's there for — a lot of them would like their children to come back and work and live in their community. But the more we see things like the college system disappearing, the more they feel, "Well, I guess it's just not in the cards," and that, for me, is really sad.

We'll see some of those very vibrant communities not be there any more five, 10 or 20 years down the road. Those people will move to places like Metro, where they will get lost because it's just a new world down here. It's a different culture altogether. What do I say to those folks about what we're doing here and what you're doing in your ministry, and how can I offer them any sense of hope in the future?

**Mr Trick:** Without claiming to be an expert on the individual communities that you mentioned, clearly in the context of the funding situation that we faced across the public sector and in the college system this past year, a lot of college presidents have had to make some very

difficult decisions about which communities they can continue to have a permanent presence in and which not. I know the president of Sault College and presidents of all the northern colleges in particular have spent a great deal of time trying to determine how they can serve a big geographic area with the funding that's available. In many cases, they've had to make some very tough judgement calls.

I don't have a particular solution for the circumstances you mention, but I do appreciate the important role they play in the community.

**Mr Martin:** I guess what worries me even more is that this thinking that is closing down these very vital elements in places like Chapleau, Wawa and Hornepayne may at some point come and take in Sault Ste Marie as well. We have a college there that used to, at one time in its history, belong to Cambrian College. It was determined over time that it made more sense that we would have our own so that it would more clearly reflect some of the thinking in our community, because we're different from Sudbury and we have different sets of resources and abilities and things that we depend on for our livelihood.

Is there anything out there by way of a benchmark that will tell you when what you're doing, what presidents are doing in making the decisions foisted on them, in my opinion, by strictly financial considerations, is there something that you will be able to recognize as a red flag when all of this becomes counterproductive?

Are there any plans or any thoughts around the question of amalgamating, for example, Sault College with Cambrian College and taking away some of the function that we now do in Sault Ste Marie and moving it over there, which would take away very significantly from, again, the vitality and the very independent nature and the excitement that we have about the future in my community? Should I be worried about that? Is that something I should concern myself about? Is that something I should be going back and talking to the people in Sault Ste Marie about as we move more and more towards this model of superefficiency and cost accountability and all those kinds of things and away from the sometimes immeasurable contribution that a college and a university make to a particular area?

**The Acting Chair:** I'm sorry to say that we are now past 12 of the clock. I see the Speaker is up, so we're probably going to have to vacate shortly anyway. I would like to thank you on behalf of the committee for coming today. Next week, we will have some Ministry of Education and Training people back again, I think, perhaps some different people, and we'll be dealing with section 308, which is OTAB. Thank you.

There's no further business. This committee is adjourned.

*The committee adjourned at 1201.*





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*\*In attendance / présents*

#### **Substitutions present / Membres remplaçants présents:**

Mr Toby Barrett (Norfolk PC) for Mr Beaubien  
Mr Ed Doyle (Wentworth East / -Est PC) for Mr Skarica  
Mr Jim Flaherty (Durham Centre / -Centre PC) for Mr Gilchrist  
Mr Bill Grimmett (Muskoka-Georgian Bay / Muskoka-Baie-Georgienne PC)  
for Mrs Elliott  
Mr Tony Martin (Sault Ste Marie ND) for Ms Martel

#### **Also taking part / Autres participants et participantes:**

Mr Erik Peters, Provincial Auditor

**Clerk / Greffière:** Ms Donna Bryce

**Staff / Personnel:** Ms Elaine Campbell, research officer, Legislative Research Service

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Première session, 36<sup>e</sup> législature

# Official Report of Debates (Hansard)

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## Comité permanent des comptes publics

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STANDING COMMITTEE ON  
PUBLIC ACCOUNTS

Thursday 5 December 1996

## ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

COMITÉ PERMANENT DES  
COMPTES PUBLICS

Jeudi 5 décembre 1996

*The committee met at 1042 in room 228, following a closed session.*

1996 ANNUAL REPORT, PROVINCIAL AUDITOR  
ONTARIO TRAINING  
AND ADJUSTMENT BOARD

**The Vice-Chair (Mr Mike Colle):** We will hear first from the Deputy Minister of Education and Training.

**Ms Veronica Lacey:** Good morning. My name is Veronica Lacey and I'm the very, very new Deputy Minister of Education and Training for Ontario. I'm particularly excited this morning because this is my first presentation to a formal body of the Legislature. On behalf of the ministry, I would like to thank the committee for giving us the opportunity to discuss the findings of the Provincial Auditor.

There are four fundamental principles that govern the way we manage the Ministry of Education and Training, and I would like to share those with you to give you a context and a framework for understanding the direction in which we are headed.

They are quality, service, accountability and affordability, and just a couple of minutes on each one of those themes.

First of all, quality: In education and training we believe that it is critically important to define the standards of performance in all our programs. We believe that, concomitantly, measurement and communications are also key aspects of quality performance.

Second, service: We have, as a ministry, a total commitment to deliver our services to our clients, those services that have been identified as priorities — as priorities according to our needs and as priorities according to our ability to realistically deliver them.

Third, accountability: We believe that accountability denotes credibility, integrity, honesty and openness with our clients, and we believe that accountability is the fundamental link between service providers and our clients.

Finally, affordability: All these principles of course can only be delivered within the context that we can afford them, and so we believe that all our programs will be delivered in a cost-effective manner.

Thank you again for the opportunity to address the issues that have been raised by the auditor. Following our presentation we would welcome questions from the committee members. I would like to turn to Joan Andrew, who is the assistant deputy minister of our training division. We also have a number of our colleagues from the ministry, so we are certainly prepared to answer any questions you may have.

**Ms Joan Andrew:** I'm Joan Andrew. I'm the assistant deputy minister with responsibility for training in the Ministry of Education and Training.

I believe you've been given a package of slides.

**The Vice-Chair:** Yes, we have that.

**Ms Andrew:** If you wouldn't mind, I could take a few minutes to go through those and just talk about where we are in terms of the reform of the training system and the particular highlights of how that reform and the Provincial Auditor's comments have come together.

Overall, the audit observations were that the ministry needed to eliminate the duplication between provincial and federal governments in areas of training, to continue the work of the ministry and local boards, to provide sound labour market information for effective decision-making and to improve our delivery system by moving to more results-based funding.

This is quite consistent with the ministry's directions. Over the course of last winter, we conducted a training review to look at our training system, and that was articulated I think in the ministry's business plan that was published last spring. Perhaps I can take some time just to bring you up to date with what we've done, the accomplishments and where we're headed, in a way, because I think it's quite consistent with the recommendations of the Provincial Auditor's report.

The training review that was conducted last winter recommended the elimination of the Ontario Training and Adjustment Board, and the governing structure was eliminated last spring. Some programs were eliminated, and the remaining programs and staff were transferred to the ministry effective July 1 of this year.

We are managing a fiscal reduction of 38% over two fiscal years, this year and next year. Consistent with the government's commitment, training programs that provided subsidies to firms have been eliminated. Our focus on employment preparation is on youth and those people who are not eligible for federal training dollars funded through employment insurance, a significant part being social assistance recipients, but not exclusively.

The next chart just attempts to show in a diagrammatic way the links between the ministry's employment preparation and employers' support programs and those of the Ministry of Community and Social Services, economic development, trade and tourism and the links with the federal government. It's a graphic to try and make the linkages among the various partners in the system.

We are moving, as part of the training review, towards a much more integrated training system. We've been in the process this year of streamlining our own delivery system, making it more focused, more simplified and a lot more efficient, moving to a concept of a single start



for unemployed people, with a focus on clients who are not eligible for federal programs.

We are pursuing federal-provincial arrangements in the area of training. I think the Premier is on record as saying we think the federal offer on devolution is a good first step but that the unfairness of the federal allocation system means that our first negotiations will be on the issue of fiscal allocations.

1050

We are moving to enhance an outcomes-based accountability system, building on some of the initiatives that were already under way in some programs and to encourage greater employer investment in training.

We've moved forward in integrating 14 employment preparation programs into a single program with four functions that will provide a single start to focus for our clients across the province. We are beginning a process of reforming the apprenticeship system and hope to have a consultation paper out shortly on that.

We have moved forward to creating an integrated and more coordinated training consulting service for firms based in the college system. We're moving forward with the federal government on the establishment of local boards, and some are now up and running. We've been working on developing an accountability framework, in particular with the college system for the delivery of the programs that they have responsibility for. We will have that in place by April 1 next year.

For workplace preparation programs, we took 14 separate programs and integrated them into a single program with one-start access for clients where we provide services based on client need. Previous programs often were formulaic programs based on your age: If you were under 25, these were the kinds of programs we had on offer. What the new programs will do is look at individual client needs and provide what they need, which is sometimes less than what was previously on offer and sometimes is more than what was previously on offer.

We are moving to a funding mechanism with our contracted delivery agents based on outcomes. We've already terminated two or three programs that had relatively high costs with low results, and we're building on successes that I think the auditor noted in the report, on the youth employment counselling centres and Futures program. We're moving also on developing a common assessment tool to improve the portability of training across the various systems.

The next chart is an attempt to show diagrammatically the integration of the various programs into the one program with four key functions: information and referral, employment planning and preparation, on-the-job training and literacy, and basic skills training and upgrading.

The next slide takes the program funding for workplace preparation programs, with the exclusion of summer youth employment because the Provincial Auditor didn't look at those programs — this was what would have been the Futures youth employment counselling centres' basic skills programs — and charts where we were last year, this year and next year in terms of funding and in terms of the clients served and the changes in the average unit cost. By next year we will have significantly improved

our unit cost and, with reduction in funding, be able to serve more clients than two years ago.

In terms of some results of the programs where we're trying to use the examples of best practice, the Futures program, which is a program for particularly employment-disadvantaged youth, 75% of those who had gone through the program were employed or in further training three months after the end of the program. For youth employment counselling centres, the employment training rate was 81%, and for help centres, which is a program aimed at older workers, it was 85%.

Moving now to programs that support employers in training their own workers, we have taken the Ontario skills development offices that were located in the community colleges and reformed them, and we will be integrating our adjustment advisory service, which is a service to help firms that are in the middle of significant organizational change, to provide service to them, and the apprenticeship system, which is regulated by the Trades Qualification and Apprenticeship Act and its regulations, to move to a more integrated approach to providing service to employers for the needs of their workers.

We have a small amount of money to help industry sectors that come forward and want to take sectoral approaches to training to put together some of the standards and curriculum, but not to subsidize the ongoing training. The programs that provided ongoing subsidies to employers that were eliminated were the Ontario skills program, the training trust funds and the actual sectoral agreements that provided ongoing subsidies for training. They're being phased out over the course of this year.

The apprenticeship reform initiative that was announced in the business plan, and we'll start consultation shortly, proposed a more modernized, flexible and relevant apprenticeship system that could better meet the needs of new and emerging occupations. This will require an overhaul of the existing act and its regulations. We will be looking at new funding mechanisms for the in-school training part of apprenticeship, as well as alternative delivery methods. We've made some progress this year on looking at alternative delivery mechanisms and different ways of funding in-school, but the existing federal regulations that require people to be in school full time limit that. As they withdraw their funding, we'll have greater flexibility to look at new methods.

We are looking at a more streamlined and refocused front-line client service function across all our services to employers for training, and hope to have the revised apprenticeship system with the new legislation in place for 1998-99.

Right now, training assistance to firms and employed workers is through a network of offices in the college system called Ontario skills development offices that are being integrated with our adjustment advisory services and some of the work the colleges already do on contract training to provide one-stop location or one-start location for employers in their own communities. There is a greater emphasis on fee-for-service and revenue generation and a greater focus on accountability for outcomes.

The next page focuses on the changes in funding through the workplace support programs over last year and this year, and the changes in the client mix.



The next pages specifically deal with the recommendations the auditor made and how we're addressing those.

I think the first issue was the measuring and reporting of performance. We now have standards and indicators in place for most programs, and will have them for all programs shortly. The reforms we have already undertaken have provided us an opportunity to revise and strengthen the outcomes-based accountability measures.

In employment preparation reform we have recently undertaken a review, community by community, of service levels. In doing that review, we've integrated labour market information, previous service level performance and cost outcomes, and have increased our monitoring of service quality as we move through the reforms. The information management systems have been put in place to support the achievement of program objectives and we have reviewed the agency costs and outcomes during our decisions on reforming the system. We are developing outcome measures for apprenticeship, and outcome measures for the consulting services are being revised.

As I mentioned earlier, the ministry expects to sign a memorandum of understanding with the colleges to focus on an overall accountability process between ourselves and the colleges for the delivery of our programs.

**1100**

The second issue the auditor raised was the co-ordination of programs and services between ourselves and the federal government. We have expressed interest in coming to an agreement with the federal government to transfer responsibility for training to Ontario. As I mentioned, a fair allocation of the funds is a precondition to those negotiations. Ontario has about 35% of the country's unemployed, and the offer from the federal government at the moment is for somewhere between 25% and 27% of the training funds. That would be somewhere between \$175 million and \$200 million a year less to Ontario for training of unemployed people. We are focusing on streamlining the training system under our jurisdiction to focus the training expenditures on clients not eligible for federal training programs in the interim, so we will serve the unemployed who are not eligible for federal training programs. In Ontario, that's about 65% of the unemployed; about 35% are eligible for unemployment insurance.

We're moving to a shared assessment process with other jurisdictions, including the federal government, to try to reduce the amount of reassessment of individual clients as they move through the system. If we have a common assessment tool, it will save time and money. We are working jointly with the federal government on the local boards initiatives, and once they are operational, they will be responsible for leading a community planning process.

We are now using labour market information to support our policy and program delivery decisions, as recommended by the auditor. We are working particularly in Peterborough, which was the first area where a local board became operational, on a joint labour market profile with the federal government to facilitate decision-making at the local level. We are providing other support, including resource guides, to local boards for them to

undertake some locally initiated research on their labour markets.

The fourth recommendation from the auditor dealt with funding and contractual arrangements with delivery agents. Our overall changes over the course of the last year have made the system more focused and I think more simple and cost-effective. We've reduced our unit costs by 10% this year from last year, and the targeted reduction for next year is for a 25% to 30% reduction in unit costs so we can serve more clients with the funding available. The first full contracted year with the new system will be starting in April. That will be the year for establishing benchmarks so that we can have the 1998-99 contracts tied to their success from the 1997-98 funding.

The literacy and basic skills model will start early in January, consulting on moving that system to a more consistent funding model based on results. We've spent the first part of this year — well, from July onwards — focused on the employment preparation side and we're now moving to the literacy and basic skills side.

In apprenticeship, we've been refining the seat purchase planning and scheduling to achieve funding for actual seat utilization, which was one of the recommendations in the auditor's report. We are looking, as part of apprenticeship reform, at different models for supporting the in-school part of apprenticeship, rather than seat purchase, to ensure greater stakeholder commitment to the system.

In monitoring of our delivery agents, we've put monitoring activity in place for the Ontario skills development offices using a management information system, and we are doing field monitoring for our adjustment advisory program to ensure that the level of training and the standards are met. We hope to integrate those two approaches as we integrate the two services.

New program management systems are being developed for employment preparation based on the systems we had in place for the Futures program, which was the model identified by the auditor.

We have in the course of our restructuring managed to devote some resources that were previously in other parts of the organization to increased monitoring in the literacy programs and to take into account high-risk situations, which I think was another recommendation of the auditor.

Apprenticeship monitoring will be addressed in the context of the new delivery models we hope to have in place by 1998. We can report that 90% of apprentices pass their examinations and achieve certification. So we are doing some work now, but the full development of a new monitoring system will follow from the development of a new apprenticeship system.

Standards for training services: We are expanding our existing standards and developing new ones. The integration of the programs will result in more consistent eligibility and needs criteria for client assessment. We'll be reporting requirements across our employment preparation program, building on those from the Futures program. We have been working on developing learning outcomes and a more goal-directed assessment tool for literacy and basic skills so we can focus people at where they're coming into the system, what they want to achieve and where they want to leave the system.



We are, as I said earlier, developing an accountability framework with the colleges, which are one of our largest delivery agents, and are working with them on a set of standards as part of that accountability framework.

The seventh issue addressed by the auditor was the apprenticeship program administration, particularly certificate renewals. The ministry and the Ministry of Labour are working together to improve the tracking of the certificate renewal issue. As part of our initial work, it has become clear that there are several legitimate reasons for the expiry of certificates that people have: no longer working in the field or the trade; they've moved. In fact, our initial research in tracking those renewals shows that a number of people have also died. So we are working on the issue.

The auditor also talked about raising the entry requirements for entrance into apprenticeship. We are doing some work on academic readiness to enable apprentices to identify their upgrading needs. I think we recognize that many people would like to increase the academic entry requirements for apprenticeship. We have to look at how to ensure access to apprenticeship for people for whom the traditional education system hasn't been the answer while balancing the need to increase their skill levels in basic math. Whether an across-the-board increase in the academic entry level requirement is the answer or not, I think we recognize the same problem. I'm not sure we think making everybody have a grade 12 requirement is the solution, but we recognize the issue and we'll look at that in the context of apprenticeship reform.

We are now tracking withdrawals and the reasons for withdrawals. In our alternative service delivery pilots we've been looking at how the increased flexibility of different modes of in-school delivery has increased people's motivation and persistence and borne fruit in terms of the withdrawal rate from apprenticeship going down somewhat.

We are looking at our information system and conducting an evaluation of the system's strengths and weaknesses. We will do an upgrading of it, but in the context of the apprenticeship reform when we determine exactly what the system will be tracking.

Just to conclude, a lot of the auditor's comments on the OTAB programs and our reform of the training system coincided. We still plan to continue further work to eliminate duplication between the federal and provincial governments, as well as duplication within our own system; to work as quickly as possible to provide sound labour market information to inform our program and funding decisions; and to achieve new levels of accountability through the revision of contracts, funding arrangements and standards with delivery agents and to increase our monitoring of those delivery agents.

1110

**Mr John Hastings (Etobicoke-Rexdale):** Thank you for coming today and trying to respond to the auditor's queries regarding apprenticeship training and all that kind of thing. I'm a little disturbed in that you say you have a vision in terms of dealing with apprenticeship reform and a seamless integrated system, but I get an impression that it's not weaving together. I read this stuff and there

doesn't seem to be a core value system or an overarching vision.

In your negotiations with the federal government, what kind of tracking are we doing for newcomers coming to Canada in terms of the lack of skills they have in the overall scheme of things? I see lots of them in my riding office who have come to Canada looking for a better opportunity at life with their families, but once they arrive here they seem to lose track of that.

What plans do we have for the continuation of apprenticeship people from one program to another when the housing sector of the economy has picked up? For example, I attended the apprenticeship graduation last night of Local 27 of the carpenters' union. Those folks have gone through four years and 5,400 hours of training, but it would appear, in talking to many of them, even with the low interest rates we have in the economy and a lot of other positive things, that not too many of them had jobs they were going to in the next month, which I find not surprising.

The whole thing of one-stop shopping: If I'm unemployed, an older worker or a younger person who has been out of school, it would appear to me that it's almost hopeless trying to figure out how to access some of these programs. For example, why haven't we managed so far to put stuff on the Internet or have the unemployment insurance in the community colleges combined with the information when I go to find out what I can get into or not into? It seems to be all over the road and it's very discouraging, from people I've talked with who come to my constituency office.

Those are just three of the basic issues that perhaps you could deal with in a much more comforting and reassuring way than I've heard in this presentation.

**Ms Andrew:** There is a fundamental issue between the federal government's responsibility in the areas of training and the provincial government's responsibilities in the areas of training, and I don't want to diminish that. The federal government has announced that by 1999 they will no longer be involved in the area of training and they are offering to devolve their labour market programming to the provinces. Ontario has said we're quite interested in doing that. That reform will mean that individuals who are unemployed in Ontario can go to one location to begin to get services for their needs.

Right now, it is true that the federal government has identified its clients as those unemployed people who are on employment insurance, they now call it, and that's about 36% of the unemployed people in Ontario; the other unemployed clients are the responsibility of the provincial government. There is still a fundamental distinction between the federal government and the provincial government for how those two things work.

The Premier has indicated that we are interested in taking responsibility for training programs, but he's interested that a fair fiscal arrangement is a precondition for that. The service delivery of integrating the front-line services for people on UI and for other folks will flow from that agreement, but that agreement will only come when the fiscal negotiations have been finalized. That's the first point I think you were making.

We are working through the establishment of the local boards, because they will have responsibility for co-



ordinating both federal and provincial training in their own communities. The establishment of local boards is to be able to begin a planning process where people from local communities look at what both levels of government have to offer and start to plan it better for their communities. We have been working hard with the federal government on making that front-end planning work better.

The question about newcomers to the country and their skill level: I think the Premier has indicated that this is more the responsibility of the Ministry of Citizenship, but the Premier has also indicated that he wants a better integrated system, because it's the federal government's responsibility in the area of immigration, a more integrated system for the settlement of newcomers.

That right now is primarily the responsibility of the federal government. We try and work with them on issues where it's related to trades training and those things. We have initiated, as part of the apprenticeship system, a prior learning assessment and recognition of foreign credentials so we can look at the training and credentials people have received outside Canada and recognize them and determine how much more training people will need specifically within the context of apprenticeship. But until the bigger issue of federal jurisdiction and provincial jurisdiction is sorted out, the complete integration of front-line services won't be possible.

The one-start service I was talking about that we will have in place: We spent this year doing the reorganization, and by April 1 next year anybody, an older person, a younger person, will be able to go to any of our offices and get access to the service we provide. It still will be focused on those people who are not on UI and who aren't eligible for federal programs until we make an agreement with the federal government, but as I said, that's about 65% of the unemployed people in Ontario. We'll have a network across Ontario that will have technological hookups between community agencies, the college system, school boards.

**Mr Toni Skarica (Wentworth North):** We required a review and we shut OTAB down, the governing structure, partly because the only thing it produced was paralysis. If you look around this room, this is about the size of an OTAB meeting, 25 people more or less, but the downside was that we had an eight and eight and eight structure, eight being labour, eight being business, and eight being equity groups. Now, the LTAB is the same governing structure. My first question is, what monitoring would take place that we don't have the same failure there? Second, I understand the agreement for the funding of LTABs is \$4 million between the federal and provincial governments. What are the specifics? Is there a copy of an agreement? What are we committed to? Are we committed to LTABs, that kind of thing? Those are my two questions.

1120

**Ms Andrew:** The governance structure for local training boards is slightly different from the governance structure for OTAB, where local communities can recommend structures that better meet their own needs with specific community representatives. It is different from the OTAB structure, and the membership can range from anywhere — on local boards I believe it's from

about 16 people to about 25, depending on community needs.

Each local board will be subject to a contract between the federal and provincial governments and themselves for the delivery of specific items related to local labour market information, recommendation of specific training programs in their communities, those kinds of things. We will monitor the ongoing progress of the boards and are committed, with the federal government, to a review of them by next summer if they haven't produced results.

**Mr Skarica:** And the specifics of the federal-provincial agreement? I still don't know what they are.

**Ms Andrew:** The specifics of the agreement were to develop local training boards that would provide an ability by local communities to coordinate their own labour market training and advice to both levels of government on how to best deliver training programs in their communities so that the needs of those communities were specifically met. I don't have the rest of the text of the agreement with me, but I can provide it to you.

**Mr Gerard Kennedy (York South):** Thanks for your presentation. I wonder if I could get back to first principles here on some of the things the auditor identified, particularly around results. What you could perhaps more clearly indicate are the future results we could expect to mark employment preparation success. For example, when we're looking at a three-month market, which is a shorter period of education, I think there's a gap between what people would like to believe can be done in terms of training and what we get from that. What do we really get in terms of enhanced employability? Is there a grasp the ministry has on this in terms of what we can look at?

I'm particularly interested too in what happens when you take the per capita funding down from \$1,500 to \$1,100, and that isn't really addressed in your report. Can we expect a higher failure rate because of that? Do we really believe that those efficiencies are going to be reflected in results? But my question is mainly focused on what you think the future results to give credibility to provincial training programs will be. What kind of indicators are going to be possible under some of the various reforms that your document indicates are under way?

**Ms Andrew:** The outcome measures that we spoke of there are not at three months of training; they're three months after someone's left training.

**Mr Kennedy:** I understand that, but I find that inadequate. I'm just wondering, what in future is the ministry looking at? When it comes down to these kinds of things, those of us who have been out in the field looking at the outcomes of this see money thrown up against a wall hoping it will stick; there are programs that people cycle through. I'll give you an example: 25% of the people who used food banks last year went through a training program, went through some type of government training program. Fewer than 5% of them found employment as a result. Half the single parents dropped out partway through the programs.

I don't mean that to be anything except an illustration of the need to have credible results to show. I'm just wondering, because the auditor has identified that as a shortcoming, what is the ministry working on in terms of



specific kinds of results we might expect a year from now or as these things start to get pulled together?

**Ms Andrew:** As part of the review of training, we actually cancelled a couple of the programs that had lower results. The Transitions program, which was a voucher program that had been provided in Ontario for older workers, had quite low results — about half the people who benefitted from Transitions actually regained employment after using the program — so that program was terminated. We kept the program models that were focused on youth and their return to jobs or further training at the rate of about 75% or 80%.

What we're hoping for, with the expansion of what we're talking about for next year, is retaining the kind of success we had under those programs where we tracked people to look at models that have produced results for relatively low cost. We think that for fairly disadvantaged youth, a 75% employment rate or further training is quite a good outcome. We will do representative sampling on the longer term. We do follow-up at three months for everyone and then we will do some representative longer-term follow-up, but following everyone who's been in a training program over the course of time can be expensive. If that's specifically what —

**Mr Kennedy:** It's getting there, because then we're looking at the difference between, say, \$1,100 a year and \$6,000 in the education system. We want to make sure we're not just going to cycle people through five different training programs when they could have been enhancing their education, for example, having a durable skill set that means they wouldn't be just part of what is increasingly a flexible workforce but doesn't really meet the needs of the new economy.

I don't believe we'll maintain public support for training programs unless we can hone in on what is actually accomplished over a longer period of time. I'm just encouraging you, that that is the heart of the problems these kinds of programs face. We had an incremental program in the past sort of nudging people along, keeping them busy when the labour market conditions were different, but these are different times now. The question is, can you, in the training programs at your disposal, materially affect the outcomes of people's employability? Unless there's a firm measure of that, I'm questioning it.

**Ms Andrew:** If you're going from 100% unemployed to 75% employed —

**Mr Kennedy:** Three months after the program, is that right, when you say 75%?

**Ms Andrew:** Yes, three months after they leave our training programs. That's a material impact on someone's life, I would think.

**Mr Kennedy:** The cost-benefit, depending how long that employment lasts, the durability of it and so on — to me, something more compelling would still be required in terms of being able to really demonstrate to people that that kind of outcome is worth the public dollars that are involved, and better than.

The other thing is just looking at the universe of need here, which I haven't heard reference to, and I think when we look at the efficacy — for example, we talk about a transition program. That universe is older workers having a harder time getting into the workforce, so the

target is going to be different there and the target in Peterborough might be different from Metro. In terms of setting those targets, it's not just a question of the number of unemployed people we get into the workforce at the lowest cost. It's got to be: How do we get the productivity of those older workers? What is the best way we can adjust that so it's available to the economy? How do we deal with younger workers in terms of getting them their first experience?

Again in terms of results, I'd be more persuaded if there were some recognition that there are harder, tougher jobs for the government or for anyone trying to assist older workers than workers at different stages of their career and so on. In the push to save dollars here, are we trying to get a one-size-fits-all result or are those kinds of considerations within each program going to be reflected in future results that the ministry shows?

**Ms Andrew:** We've moved away from programs that had one-size-fits-all and we're trying to move to a program where we get to identify the individual client's needs — maybe I wasn't clear enough about that — in moving to the employment preparation program. Our previous program said, "If you're under 25 you need this, this and this and you'll go through that," and it may not have met those clients' needs, or "If you're over 45, this is what you get and this is what you'll do." We're now integrating the program, so we have four fundamental services.

The first one is information and referral, because that's what some folks need. They need information on how to find jobs, where to get jobs and referral to other supports in their community, like access to child care or information for injured workers. The second part of it is assistance with employment preparation and job search, résumé writing, interview skills, those kinds of things. Some people need work experience and on-the-job training and some people need literacy and basic skills.

The system we've moved from was a patchwork of one-size-fits-all programs. If you met the criteria by age or by characteristic you went through a one-size-fits-all program. We're moving to a system of community starts where you can go in and get access to counselling and assistance to identify what your particular need is, and then a program that meets those needs. It is, however, focused on people who are not eligible for employment insurance, in an effort to reduce the duplication overlap with the federal government, which has identified that it will only provide assistance and training programs to people on unemployment insurance.

1130

**Mr Kennedy:** I understand they're going back three years now, in some cases. Is that not correct?

**Ms Andrew:** That doesn't help youth, who largely have never been on — it is a help for older workers who are long-term unemployed.

**Mr Kennedy:** I understand the targeting and the menu of things you're trying to make available and even a progression there. As legislators we need to understand the problem you're addressing. I hope there will be some focus on the assumptions here. In some cases there are not the jobs, therefore part of what needs to be recognized is that X% of over-50 workers are not getting jobs



on their own and X% with assistance are getting them. We may find that to be a good enough social or economic return to continue that kind of program. We need to see what the problem is you're addressing.

There's a stutter step involved for anybody starting out in terms of where they're coming from. We've got university students now going back to college to try and get employment skills, and we also understand that in a flexible environment more and more employers are using government programs to set up specific skills that they used to train on their own, which is another issue for us. Those are the kinds of things we would find, if addressed, more persuasive in terms of supporting programs like this. We would want to know that those are a part of your targeting: What is the universe of need out there? What are the results you can achieve against it?

The auditor is looking at a narrower base of things, but I think as legislators we would like to see what can be done. We don't believe everything can be done; we don't believe that's possible. We would like to know, especially when you're being asked to do this with fewer dollars, what effectiveness we can expect, and you haven't addressed the question, will you be more effective with fewer dollars, which I would like to know. Those other reference points are what we would expect to see from the ministry as it develops this program.

**Ms Andrew:** Our expectation is that we will be more effective in employment preparation because we will have a more flexible set of tools we can use to identify individual need instead of having a range of programs that were a fixed menu, if you will, and some of them quite high-cost fixed menus. We will spend most of next year in contracting with people to test out the outcome measures to make sure we've got it right, to fine-tune the system, and beginning in 1998-99 the agents who actually deliver this program will have their funding tied to their effectiveness in these outcome measures. We're in a transition, over the next 18 months, of moving to an outcomes-based contracting system with the agencies that deliver these programs.

**The Vice-Chair:** I just have a question of clarification here. On page 9 — Mr Kennedy referred to it — it says, "75% of clients employed, in" the Futures program "in education or training...." Could you give us the breakdown on how many of them are employed, how many are in education or training? It's ambiguous in terms of how many are actually employed.

**Ms Andrew:** Sante Mauti, the director of the program area responsible, has the detailed data. If I could just say, though, for Futures clients between 16 and 25 we consider return to education as a successful outcome, if they choose — these are young unemployed people who have left the school system — to go back to school to further their education.

**The Vice-Chair:** I know, as Mr Hastings says about the carpenters who were out of work, it's just the percentage of people who are employed as a result of these programs that I would like. Can you give it us in Futures, for instance?

**Mr Sante Mauti:** Yes. About two thirds of that number are in jobs. About another third go back to the regular post-secondary system in school. The other third —

**The Vice-Chair:** In the Futures program, right?

**Mr Mauti:** In Futures. The other third go on to other training. Some of this is preparatory training. It could be, for example, some pre-qualification for apprenticeship or other training programs.

**The Vice-Chair:** And then the next one, the YECC?

**Mr Steve Gilchrist (Scarborough East):** Excuse me, Mr Chair. That just added up to four thirds.

**Mr Mauti:** I'm sorry. Two thirds of those clients go on to employment. Of the remaining third, half go to school, half into other training.

**The Vice-Chair:** And then in YECC?

**Mr Mauti:** The YECC is aimed at clients who have a bit more skills. They don't need as much of an intensive intervention like Futures. That 81% is virtually — about three quarters, 75% to 80%, are placed in unsubsidized jobs at three-month follow-up. Then it's a similar split with the remaining clients: About half go on to formal training or half go back to school.

One of the objectives of these programs for a lot of youth, because they are focused on youth, is to get them back into the post-secondary system. Many of the agencies have links with the school boards and have alternative education programs and programs through the Independent Learning Centre to get clients back and earning credits.

**The Vice-Chair:** So 75%, three quarters of 81% are employed?

**Mr Mauti:** Yes.

**The Vice-Chair:** And the last one, the help centres: Of 85% of the clients, how many are employed?

**Mr Mauti:** I don't have the breakdown for help centres. I can give this information back to the committee afterwards.

**The Vice-Chair:** Sure, no problem.

**Mr Gilles Pouliot (Lake Nipigon):** Veronica, congratulations on your appointment at a time of really merging crises, perhaps, a very challenging time in education. I'm sure you will not only survive the day but that you'll do better than break even higher each following day.

Madame Andrew, I recognize the style; I need your help. At intervals you quote the Premier to emphasize, to make a point. When we were the government, and I'm quoting the Premier of today, when we talked about Ontario not getting its fair share in dealing with new arrivals, with immigrants, in terms of shared programs, ie, training, Mike Harris was the third party then, as we are now, and he used to say: "Stop whining. You're the government now." For four years and nine months that same record came through, and throughout.

In your relationship — we're talking about a shared program — with the federal government there is an evolution. In fact, the neighbouring province of Quebec, among others, has recently overemphasized the need to have sole jurisdiction over training programs. They claim they're responsible for education, and training is given as one of the tools to defend oneself and cope with society.

What do you see in the immediate future? The federal government has responded, "Yes, we could be sympathetic, so let's look at some mechanism for transition." How would this change the program, in your view? What kind of duplication would be avoided? What kind of



supplementary latitude would it give provincial jurisdictions over training if you were to have sole jurisdiction? Please don't quote the Premier.

**Ms Andrew:** It's really Mr Hastings's point, that if you're unemployed in Ontario right now you have to know what programs you're eligible for. You go to federal offices if you're eligible for some and to our offices if you're eligible for others. I think that sole jurisdiction by the provincial government would enhance the system in a number of ways.

For one thing, we have jurisdiction over education. It would make linkages between employment counselling and education and post-secondary education closer. I think you'd find there would be savings because, in rationalizing the front-line infrastructure of referral training, overheads, those kinds of things, you could find efficiencies in the system.

Right now we have two parallel systems. You could probably serve the same number of unemployed people and provide the same level of training to more people by integrating the management of the infrastructure, if you want to call it that. We have two systems.

It would also support our provincial economic development directions, the training supports directions in economic development, and it would reflect an integrated perspective to dealing with our social and economic policies within the provincial government. I think that's the major benefit. But I really think probably the primary benefits would be to individuals who in their own communities could go to one location.

1140

**Mr Pouliot:** During your presentation, certainly more than once you referred to the fact that you're not getting an equal share, that you're not getting the same percentage of federal funding as other jurisdictions do. In fact, you're severely, dramatically lagging behind. That tone would indicate to me that in order to do a complete or a better job, you would need more funding. Otherwise, there would be no need to refer to the lack of it.

You're about to get hit, education is, big time. This is not a secret. You don't need to be much of a speculator. You don't need to have been around here a long, long time. The government is in a bind. I know you can't say this, but I sure can and I will. They're on the hook to find a supplementary \$5.4 billion. You will notice it on your paycheque, because that's where it begins to impact, on the people who make more, who take home more money than people who make a substantial living here.

So they've got to deliver. They've got to cut. Where you cut is where the money is. The money's in health, in education and social assistance, and in transfer payments. Now they have a commission. They're asking us to sit till midnight, then they've got three additional months of sitting, but we get paid for that. That's not a problem; we represent people. That's our job.

*Interjections.*

**Mr Pouliot:** I didn't interrupt you during your time.

They're going to cut big time — I'm on the finance committee as well — about \$3 billion. As I read in the paper, education might be one of the focuses. Education and training are the same thing; they go hand in hand. So you're not going to get more money. Your client group,

given the economic cycle, when the bad times start coming — it doesn't have to be a recession, just a slowdown in the US in the first or second quarters, and then bang, it crosses the border, inevitably. We're one-tenth the size and they're our neighbour.

Then you have higher tuition fees, so people, they dislocate; they can no longer belong to the system. More pressure. Then you also have more difficulties because transfer partners will get substantially less money. When you compound these things and then you add up what is perhaps the catalyst, which is the ever changing, it creates a great deal of anxiety. Traditionally we used to be able to reconcile, to recognize the good times and bad times and to adjust. But it changes so quickly now and you have such an emphasis on a marriage of the muscle, the robotic and the computers, if you wish, and the brain.

Since 1981 we had expediency to reconcile, to do something — put people to work, do training, get them out the door, do something with them — because we had an acute recession. Now we have a recovery, albeit that it's based on exports, but it's a recovery. In the transition, we still have the same difficulties as we had, but what quick adjustment do you have to do?

I look at why the program was put in place. I look at the different sectors. That was in 1991. I look at the marketplace needs for trained people in 1997, next month, and I see your mandate. It means so much less than when I was sitting on those committees in 1991.

What has changed? You're not adhering to your mandate. If I was to take you to task through the Provincial Auditor, not value for money but in terms of looking at all the different sectors and looking at the headings and saying: What does that mean? What have you got under this program? Do you feel that your role has changed significantly, and where do you see further changes in the near future —

**The Vice-Chair:** Sorry. I'm going to have to interrupt. You can maybe contemplate your answer in the next round. To give everybody a fair chance, we'll go around one more time, four minutes each.

**Mr Gilchrist:** Thank you for the presentation here today. Congratulations, Ms Lacey. We look forward to working with you during your term and I'm sure they will be very interesting times.

I'd like, perhaps from Ms Andrew, a better definition just to follow up on Mr Skarica's point. It's my understanding that you will table with the clerk a copy of whatever memorandum exists between our government and the federal government detailing the arrangements that exist.

I note that the Peterborough LTAB is up and running. I wonder if you would also table a copy of that contract.

Thirdly, you had mentioned the Transitions program. I appreciate your bringing that up because I've had a couple of queries from within my riding. I don't know whether the committee would have a general interest in that program, but at least to myself, if not to the committee, I wonder if you would be kind enough to give the sort of background information to which you alluded. It was a program with less spectacular results than some of the other three that you've alluded to today, so that I'd have some background information to deal with those queries if any others come in. I'd be grateful.



The line of questioning I'd like to take is slightly different than what we've had so far. As we've gone through the auditor's report, different groups in the last two years, what I sometimes don't see in some of the presentations that come before us are some of the specifics that I would have thought the auditor was suggesting should arise in responses to his recommendations. I look at your fourth audit issue number, "Funding and Contractual Arrangements with Delivery Agents," and as far as it goes it's very detailed and I appreciate the explanations that you've given. But I look back at one line in the auditor's report where, "The average funded cost per contact hour for colleges was \$8.67 versus \$3.73 for school boards." That's under the heading of "Funding for Literacy and Numeracy programs."

I guess my question would be that given that the auditor himself has recommended: "To help ensure that programs and services are delivered in a more economical, efficient and effective manner, the ministry should revise funding and contractual arrangements...so that funding levels are determined by: achievement...the actual level of service provided...where appropriate, the use of a competitive tendering process...."

I don't see a specific response in your section of the presentation. I guess my question would be, why in blazes would we give a single dollar's worth of business to a community college if the school boards can deliver the same services for literally \$5 per hour less? While we have community colleges in many communities, we certainly have school boards in all communities, so our ability to deliver that program seamlessly across Ontario would seem to me to be more easily facilitated if we standardized with one sort of program and did that via the school boards, unless the colleges came down and met that cost standard. What specifically is being done to address that concern that was raised by the auditor?

**Ms Andrew:** Specifically on that issue, we are releasing a paper in January on literacy basic skills. We inherited programs that were originally funded by different ministries, and to be honest, we recognized different costs. It's not necessarily what it costs, it's the costs we recognized, and we did recognize more generous costs in the colleges than in the school boards. To be clear, though, only somewhere under half the school boards offer the literacy program, so it wouldn't be available from all school boards; only about 70 in the province offer the program. All colleges offer it. So there would be some issues of availability.

But we are launching a process in January to rationalize, or whatever you want to call it, what costs we would recognize for literacy training, what we would pay, to come to a much more common standard across the various providers of literacy training for what we would pay for. We might pay different amounts for different levels. There are levels 1, 2, 3 and 4. The auditor's comment was about levels 1 and 2, which is up to grade 8, I believe, literacy level. You might have different costs for the higher-end training than for the lower-end training, but we undertook between July and now the rationalization of the youth employment infrastructure first, youth employment counselling centres, Futures. Agencies that are going to continue with us have been notified, and

those that aren't have now been notified. That happened earlier this week.

We've done the preliminary work within the ministry on the literacy funding model and we're going out for consultation with our providers because there are also community literacy providers who make quite wide use of volunteers and there's literacy work that takes place that employers support and subsidize. So we do literacy training in a variety of ways, and I think that's good, in Ontario. We need to go out and consult and make sure the models we've thought about would meet the needs of the various ways we provide literacy training.

**The Vice-Chair:** Sorry to interrupt.

**Mr Gilchrist:** Just two seconds. Can I just ask that a copy of that January report, when it comes forward, be tabled with the committee as well, please.

**Mr Bruce Crozier (Essex South):** Good morning. I just have a brief question with regard to your comments on the federal government getting out of training at the end of 1998, was it?

**Ms Andrew:** It's in 1999. I think it's April 1999.

**Mr Crozier:** Okay. So in the near future. There's been a lot of debate, I think both inside government and outside, as to the extent that the federal government should be in training. If I have read it correctly, the debate would be more that it seems logical that it should be provincial for the reasons you've said, because we're responsible for education in general.

Has that been a unilateral decision on behalf of the federal government or was that decision arrived at at least with some preliminary discussion with the province, that we're both working towards that goal?

**Ms Andrew:** I think it's been under general discussion for a long time that this is an area of overlap and duplication and some realignment of jurisdictions. The announcement by the federal government that they were getting out of training by 1999 was unilateral, and they then made an offer to the provinces for the transfer of funds. The initial announcement was unilateral, but it's been in the works —

**Mr Crozier:** There seems to be some general agreement that that's at least the right direction to go, as opposed to the provinces giving the federal government responsibility for training. Is that a reasonable observation?

**Ms Andrew:** I would think so, yes.

**Mr Crozier:** Are we done?

**The Vice-Chair:** You've got to go vote for your —

**Mr Crozier:** Oh, thank you, Chair. I'm done.

**The Vice-Chair:** Okay. Mr Pouliot.

**Mr Pouliot:** On page 99, 3.08 of the auditor's report: "Detailed Audit Observations, Measuring and Reporting Performance:

"OTAB's accountability requirements were defined both in legislation and in its memorandum of understanding with the Minister of Education and Training."

Then in the second paragraph it says, "The OTAB board of directors, through its strategic planning committee, had condensed its 18 legislated responsibilities into eight strategic directions or areas of responsibility."

One of the eight areas is access and equity. Can you give me one or two real-life examples of how it would apply?



**Ms Andrew:** How the OTAB board of directors applied their access and equity?

**Mr Pouliot:** Yes, please. Because I understand by way of philosophy that there have been some draconian changes, so what ever happened to access and equity under OTAB? What's happening to it, Madam?

**Ms Andrew:** I don't have specific examples of the OTAB board of directors' access and equity policy. I did not work at OTAB. I would have to go and check the files. I'm sorry.

**Mr Pouliot:** I just wish to point out for the record that when we were the government we insisted that access and equity be a priority, one of the eight strategic directions. It's obvious by all accounts that that lot over there, the new government, the Progressive Conservative government that we have, don't want access and equity. I just want this to be recorded in Hansard. Thank you.

**The Vice-Chair:** Try to answer that. Maybe Ms Lacey would like to try. No, I'm being facetious.

Ms Andrew, would you like to try and comment on Mr Pouliot's questions?

**Ms Andrew:** I can go back and look through our files for examples of the access and equity initiatives of the OTAB board if that's the committee's pleasure, and produce some examples.

**The Vice-Chair:** Yes, or you could just contact Mr Pouliot himself to have a discussion.

Thank you both very much for coming. I think it's helped us understand this transition that's taking place, and I hope we can, with the auditor, be of help.

I know we would like to go and vote; Mr Crozier has a motion.

We are going to have a subcommittee meeting because of the new session coming in January, so we'll be contacting you for a subcommittee meeting.

Thank you very much again, and the committee stands adjourned.

*The committee adjourned at 1156.*











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### STANDING COMMITTEE ON PUBLIC ACCOUNTS

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- \*Mr Toni Skarica (Wentworth North / -Nord PC)

*\*In attendance / présents*

**Substitutions present / Membres remplaçants présents:**

Mr Toby Barrett (Norfolk PC) for Mr Fox

**Clerk / Greffière:** Ms Donna Bryce

**Staff / Personnel:** Ms Elaine Campbell, research officer, Legislative Research Service

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## Legislative Assembly of Ontario

First Session, 36th Parliament

## Assemblée législative de l'Ontario

Première session, 36<sup>e</sup> législature

# Official Report of Debates (Hansard)

Thursday 12 December 1996

# Journal des débats (Hansard)

Jeudi 12 décembre 1996

## Standing committee on public accounts

1996 Annual report,  
Provincial Auditor

## Comité permanent des comptes publics

Rapport annuel 1996  
Vérificateur provincial



Chair: (Vacant)  
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## LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON  
PUBLIC ACCOUNTS

Thursday 12 December 1996

## ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

COMITÉ PERMANENT DES  
COMPTES PUBLICS

Jeudi 12 décembre 1996

*The committee met at 1033 in room 228, following a closed session.*

## SUBCOMMITTEE REPORT

**The Vice-Chair (Mr Mike Colle):** I call to order the meeting of the standing committee on public accounts. Welcome.

The first item of business is that the subcommittee met on Tuesday. As a result of the change in the legislative calendar, we had to make some changes in our schedule for the upcoming months. It was agreed that we would proceed with the following areas from the auditor's report, starting in January and going right through till March. As you can see, the majority of the new areas are in the health area. That was considered the most serious area of concern, considering that we're talking about \$1.4 billion. So that is the schedule.

Just to pre-warn members of the committee, the questions and discussions will be based on these areas in the months to come, and the background information is to be found in the Provincial Auditor's report, so you're well warned that those are the areas we'll be going into.

Would anybody like to move a motion to accept the subcommittee's report? Moved by Mr Pouliot. All in favour?

**Mr Bruce Crozier (Essex South):** Just a point, Mr Chair. It's a small point, but since the government has chosen to change the seasonal standards and spring is coming on January 13, down under March where the question mark is, it says "Date to be set once spring break week is determined." That probably is the summer break, even though it's in March.

**The Vice-Chair:** All in favour of the motion to accept the subcommittee report? Opposed? That's carried.

1996 ANNUAL REPORT, PROVINCIAL AUDITOR  
MINISTRY OF ENVIRONMENT AND ENERGY

**The Vice-Chair:** We welcome to the committee witnesses from the Ministry of Environment and Energy. Please identify yourselves to the committee.

**Ms Sheila Willis:** Sheila Willis, assistant deputy minister, operations division.

**Ms Linda Stevens:** Linda Stevens, Deputy Minister, Environment and Energy.

**Mr André Castel:** André Castel, assistant deputy minister, corporate management division.

**Ms Ivy Wile:** Ivy Wile, acting assistant deputy minister, environmental sciences and standards division.

**The Vice-Chair:** Thank you for coming. Would one of you like to begin with a presentation to the committee?

**Ms Stevens:** I will, Mr Chair. First of all, thanks for the opportunity to give an opening statement. We appreciate it. I think you now have copies of it, but I would like to take you through it.

First of all, we are pleased to try to assist the committee here today to review the two pertinent chapters of the auditor's 1996 report. The two chapters that focus on our ministry were a chapter concerning the environmental sciences and standards division — Ivy is the acting ADM of that division — and also a followup to a 1994 auditor's report on sewage and water treatment plant facilities.

First of all, a little bit about the environmental sciences and standards division. It's the division in our ministry that provides the real scientific and technical expertise of the ministry. It also has responsibility for the development of standards, for monitoring and for the development of priority programs and analytical support.

The ministry's operations division, of which Sheila Willis is the assistant deputy minister, is the division probably most of you are most familiar with because you would see its presence out in your ridings. This is where our various offices are located, this division. Its responsibility that is the pertinent one today is that of ensuring that sewage and water treatment plant facilities all across the province meet the health and environmental requirements which the province sets. These are obviously crucial to the protection of public health and the safeguarding of our environment.

I want to quickly turn to address specific issues raised in the auditor's 1996 report.

The auditor recommends in the report that to safeguard the environment and human health, the ministry should develop and update its air quality standards on a timely basis.

Ontario has about 1,000 standards for substances emitted into the environment. That is more, I point out, than any other province in Canada. It's also important to note that we are very up to date, and the auditor cited this, on water and soil standards. That is largely because in recent years the ministry was given direction by governments of the day to focus its efforts on updating water and soil standards, and that's what it did.

The latter was a major undertaking which involved the development of new standards for soil and groundwater for 117 chemicals as part of the new decommissioning guidelines. As I said a minute ago, the auditor acknowledged that our standards for drinking water, soil and sediments are up to date. By the way, it took the ministry a good two years to develop those 117 chemicals.

Those guidelines have been very well received out in various communities and are being used. People were a



little taken aback at first that there were 117. We keep pointing out that it's not that you have to look for the 117 contaminants; it's just that it's a lot more helpful, when people find a contaminant, if we've already developed the standard. Those 117 have gone a long way to do that.

The auditor's review of our standards was based on a very preliminary internal ministry review, although having said that, I do acknowledge that a significant number of air standards require review. To address this need, the ministry has developed an aggressive three-year plan for developing 282 standards by 1999. I would point out that the ministry's never done this before; this is the first time we have proceeded with a long-term plan. We posted that plan on the Environmental Bill of Rights registry and on the ministry's Internet site for public comment. It's also the first time we've ever done that. I believe that comment period ended earlier this month, and we're reviewing the 30-odd comments we received. This is really asking people's input, saying: "We've said we're going to work on these standards. Do you think they're the right ones?"

The three-year plan places emphasis on air standards. Specifically, 73 new or revised standards will be developed by 1999. This three-year plan includes those substances which have been identified in the national pollutant release inventory as being released in large volumes to the atmosphere, as well as those that may have significant health or environmental effects. Fourteen air standards have recently been completed and we're posting them on the EBR registry shortly.

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We are committed, as I hope you can see, to developing and improving our standards. The ministry is tackling the need to deliver an increased number of scientifically sound environmental standards, particularly for air, in a cost-effective manner on a number of fronts. We realize we can't do this all ourselves. All jurisdictions, I guess, realize that.

We are working in partnership with federal, provincial and territorial governments to develop standards for substances of national importance. These standards would be developed under the recent Canada-wide accord on environmental harmonization and associated subagreements. The first subagreement that ministers are dealing with is the subagreement on standards, and we welcome this as a first one.

The environmental accord on harmonization that we and other provinces, the territories and the federal government recently negotiated is designed to lead to improved and more consistent environmental protection in Canada. The initial candidate list for the development of Canada-wide air standards includes ground-level ozone, inhalable particulates, dioxins and furans, and mercury and benzene. Developing standards for these substances is very resource-intensive, given the complex environmental issues that need to be addressed. By sharing the development costs with our partners in Canada, we can allocate a greater percentage of our own internal resources to developing additional standards that are Ontario priorities. Bottom line: more standards at a reduced cost.

Also, we recognize that some jurisdictions, particularly in the United States, have recently developed scientifically defensible standards that may be suitable for use in Ontario. So rather than extensively researching and assessing the science ourselves, we can build upon the work of others and adopt these standards for our use. We do this, again, after a very rigorous review process. We believe a significant number of standards can be delivered through this process.

The other way we develop standards besides looking at adopting from other jurisdictions and working with the federal government and the other provinces is we actively encourage the joint development of standards through partnership with other regulatory agencies, the regulatory community and other stakeholders. This is again to avoid duplication of effort and to make the best use of available resources and information.

Over the past years, Ontario has made significant progress on air quality, and as the auditor has noted, during the past 20 years the ambient levels of the six most common pollutants have declined. We have also, since 1987, reduced the use of ozone-depleting chemicals by more than 50%, and since the mid-1980s emissions of acid-rain-causing sulphur dioxide have declined by more than 50%.

In his report, the auditor also recommends that the ministry remove air monitoring instruments that are obsolete and redeploy others to improve the accuracy of the air monitoring network. It's also recommended that the ministry stop providing advance notice of quality control visits to our regional staff. These are regional staff who are responsible for the maintenance of air monitoring equipment.

On the first point, the ministry has continuous air quality monitoring instruments at 89 locations across the province. The instrumentation utilized in the ministry's air quality network is current with what is commercially available and is accurate 95% of the time. That accuracy rate is consistent with or better than most jurisdictions.

In the last 10 years, the ministry has invested approximately \$50 million in support of air monitoring programs. In addition to this network, we also operate two state-of-the-art mobile trace atmospheric gas analysers, commonly known as TAGA units. They're designed to monitor air pollution problems expediently and efficiently. We bring them to certain sites around the province as issues may arise.

To make qualitative improvements to our monitoring, the ministry has recently added new instruments to measure fine particulates commonly called PM10 and PM2.5, which are of direct relevance to human health. The monitoring will be real time, meaning that we'll know immediately if there are any changes in the levels of fine particulates. To date we've installed 32 such monitors, eight of which are located in Hamilton, at a cost of \$300,000. We will continue to install new monitoring equipment as the need arises.

The ministry accepts the auditor's recommendations regarding advance warning of quality control visits to our regional staff, and we will ensure that advance notification is not provided except where staff health and safety are at risk due to the remote location of some monitoring sites.



The audit report also reviews the ministry's hazardous waste information system. The ministry's computerized hazardous waste information system is used to track the generation, shipment and disposal of hazardous waste in Ontario. The system is considered to be the best in Canada and one of the best in the world. The audit notes that about half of the registered generators of hazardous waste have never reported a transaction. The auditor recommends that in order to allow for better monitoring and control of hazardous waste disposal, the ministry should investigate ways to improve the use of the hazardous waste information system. Registered generators not reporting disposals should be identified and reasons for their not reporting should be obtained.

All generators, haulers and receivers of hazardous wastes are required to register with the ministry. This hazardous waste information system tracks each individual transaction and it generates an exception report if the type or quantity of waste reported by the generator, hauler or receiver does not match up. On an annual basis the system monitors about 160,000 waste transfers. Each exception report is investigated, and charges are laid if appropriate. In 1995-96 there were 1,800 exceptions and each of them was followed up by the ministry.

Also, I would point out that our operations division, as a normal part of their doing business out in the field, inspects annually more than 1,500 hazardous waste generators, and as part of that normal inspection, they would check their manifests. We point out here that since 1993 there have been more than 100 convictions for violations.

As the auditor noted, however, there are a significant number of generators who are registered but have not reported shipments of waste. We have now looked at what that number is, and the number is in fact 11,000 such generators who have not shipped waste in the past three years. By the way, that's 11,000 of 32,000 generators who are registered. There are, however, we believe, legitimate reasons a registered generator of waste has not reported any shipment, and we have a list here for you.

The first is the possibility that the generator is out of business. There are no requirements for generators to notify us when they go out of business and therefore we are rarely notified of that.

A generator number was issued for a single shipment following an emergency. This results in a generator being registered for a waste they may never ship again.

Concerning PCB storage sites: The PCB storage site owners require generator registration but they don't ship waste until the PCBs are sent for destruction.

Concerning onsite disposal: Waste that's generated and managed onsite, for example, a waste-derived fuel site, requires registration but will not report shipment because they're dealing with it there and then.

Small quantity exemption: Some registered waste generators generate waste in quantities so small that they are exempt from reporting. They have essentially registered as a contingency measure in the event that their waste production increases.

Other possible suggestions I would offer are that some generators have moved out of Ontario to other provinces; also some have been purchased by other operators.

Having said that, again, we are mindful of the auditor's concerns that have been raised, and by the end of January 1997, we will have sent letters to those generators who have not shipped waste within the past three years. So we're sending letters to those 11,000, and their registration will be inactivated unless they respond with reasons for not shipping. If inactive generators ship waste, they will be detected through exception reporting. That will continue.

1050

I'll turn now to groundwater. Groundwater is another area addressed by the 1996 audit report. It recommends that the ministry should develop a more proactive and systematic approach in order to better manage groundwater quantity. Such an approach should include the updating of the water-well information system and the aquifer maps to allow for better assessment of current groundwater use in the province and for timely remedial action. Further, the ministry should monitor groundwater quality on a systematic basis to provide assurance of its safety for the environment and human health, as well as to enable the ministry to take prompt remedial action when necessary.

The responsibility for the protection of groundwater resources crosses municipal-provincial boundaries and involves a number of ministries and agencies. The ministry is currently heading a review of provincial groundwater management and protection in conjunction with other ministries and agencies. This initiative will result in the development of a cost-effective groundwater protection program. I believe we will be advising the minister on this initiative by March 1997.

The ministry carries out a number of activities, though, to protect the groundwater quality and quantity. For example, since poor construction of wells can be one of the major reasons for the contamination of groundwater, the ministry licenses all well contractors and their employees. We are planning to implement an enhanced training program to improve the skills of well drillers. Well owners are responsible for the maintenance of their own wells, however. They're encouraged to have their water tested by the local public health authorities or private laboratories. The ministry does, though, investigate complaints. Those responsible for contamination are required to take remedial action, and charges under provincial legislation are laid where warranted.

Also, to control, conserve and to determine the status of the usage of groundwater, the ministry requires all persons drawing more than 50,000 litres of water a day to obtain a permit.

Currently the ministry is improving its management of water-well records to deal with the backlog and is taking steps to accelerate the rate of processing records. We will be pleased to report back to the auditor on our efforts on that.

The topic of research data: The ministry has an extensive amount of research data related to various environmental issues covering many years. The auditor recommends that to facilitate access to data for ministry staff, the ministry should develop an integrated approach to consolidate data and to provide better access.



To improve our overall efficiency and effectiveness, we have begun to integrate and to standardize our computerized databases so that the vast amount of information collected over a period of time on many environmental issues may be readily accessible to our staff and others. The auditor has recognized the problem, and we are pleased to be responding in a positive way.

The auditor's report also notes that the ministry maintains a marine unit with six large boats, a staff of two captains and additional support staff. He notes that these resources are significantly underutilized. We acknowledge the auditor's concerns.

The six vessels in question were acquired in the past when the federal government provided some \$1.5 million a year for Great Lakes surveillance activities. In recent years the federal government has discontinued this funding.

The ministry has completed a comprehensive review of its monitoring needs, including utilization of our marine services. As a result of this review, four boats have been made surplus and will be disposed of through government surplus asset disposal, and the staff resources have already been reduced.

Turning to the other significant area in the auditor's report, that is, the follow-up to the 1994 auditor's report on water and sewage treatment facilities, we have taken action on all the recommendations from the 1994 report. Among other things, the auditor's report recommends implementation of a strategy to ensure a minimum standard for records documenting the occurrence and the quality of sewage treatment plant bypasses. In September of this year, we communicated — and that was as a reminder, by the way — the requirements for minimum recordkeeping standards for bypasses to all owners of sewage treatment plants in the province so that they will be available for our review.

The steps taken to address the concerns raised by the auditor are:

First of all, in 1990 the ministry introduced the sewage and water inspection program. Since then the ministry has established priority-setting procedures for scheduling plant inspections based upon health and environment criteria.

The ministry has communicated the minimum acceptable sampling requirements for waterworks to the owners of these facilities, most recently in 1995.

The ministry established a database that is reviewed annually to update the status of the most significant deficiency associated with each sewage and waterworks.

The ministry standardized sample collections during our sewage and water inspections. The analytical data from these inspections will be entered into a database which allows different parts of the ministry to use the data collected in the field.

The ministry has taken steps to ensure that all sewage plants are operated by qualified personnel. A regulation to that effect was passed into law.

Also, we empowered our environmental officers to issue field orders to enforce compliance.

The 1994 Provincial Auditor's report recommended that water treatment plants with significant compliance problems be brought into the drinking water surveillance program as quickly as possible.

It is important to note that the principal responsibility for meeting the Ontario drinking water quality objective rests with the municipalities. This means they must meet the ministry's requirements as outlined in the plant certificate of approval and carry out regular monitoring. It is also important to understand that the Ontario drinking water surveillance program is a special program for enhanced monitoring of water treatment plants that serve a large population. This program is not used for monitoring compliance. By going beyond what would normally be expected of a water authority in a regular monitoring program, the drinking water surveillance program helps the ministry to identify emerging water quality problems and update drinking water standards when applicable.

The drinking water surveillance program currently covers water plants that serve 83% of the population relying on municipal water supplies. This is equivalent to approximately 73% of the population in Ontario. The plants that are included in this surveillance program, and the need to add new ones, are reviewed on an ongoing basis. Plants that have performed well over an extended period of time are eventually taken off the drinking water surveillance program and, when necessary, replaced by plants that may have some problems.

Overall, we would say the auditor's report has provided an excellent review of how the ministry needs to improve the work it's doing. I am, however, pleased to see the auditor has noted: "With certain exceptions, services provided by the division" — that's the environmental sciences and standards division he's talking about — "were generally being delivered with due regard for economy and efficiency." I've tried to outline here today the action we have taken on all of the recommendations made by the auditor.

Thank you. We would of course be happy to answer questions.

**The Vice-Chair:** Thank you for that very comprehensive overview, Ms Stevens. We'll start with the third party with questions, 10 minutes each.

**Mr Gilles Pouliot (Lake Nipigon):** Good morning. Monsieur Castel, bonjour. I too echo the sentiment of the Chair that it's nothing short of an excellent report. I understand the dilemma you're in only too well, that you're doing the best you can. One could say in fact, during these times, at your ministry your courage is indeed great. How would you describe the morale at your ministry right now?

**Ms Stevens:** The morale in my ministry I think is similar to a lot of ministries: There's obviously concern. There's been downsizing; there will be further downsizing.

However, having said that — and we've done this a lot lately — we reflect back on the last year plus, and the ministry's accomplishments have been probably the most successful of any year in its history. By that I mean everything from the three pieces of legislation we presently have in the House to the enormous number of policies we've dealt with and also to accomplishing our cost-saving targets. There are items that have been accomplished in the ministry that people in the ministry had wanted to move on for years and they've been done in the last year. So on the other side, there's the feeling we've been very successful in the past year.



1100

**Mr Pouliot:** I'm candid: I rely on and need your help because I know so little. I live in a small place, Manitouwadge. But sometimes I come here during the summer and I see it says, "Welcome to Toronto but don't use the beaches." I see that the program to clean up the beaches went from \$12 million in 1995-96 to \$2.7 million in 1996-97. I understand there was a 10-year cleanup program. Does that mean that it's cleaned up or that they've just slashed the budget?

**Ms Stevens:** I think it's next summer you'll be able to swim in the western beaches in Toronto with a decision the government made in the last year. There's certainly good news in the Toronto area, and I think that was the most critical area in the province for beaches. So, yes, I think a lot has been accomplished.

**Mr Pouliot:** Do you know what the bacterial count will be and the temperature?

**Ms Stevens:** I certainly wouldn't want to predict the temperature.

**Mr Pouliot:** In other words, I have just as much chance of walking on water as swimming at the beach.

Your budget has been slashed by an astounding, shocking 46%. Everybody knows that you have been the focus of a savage attack. You cannot say this; I understand your mandate. Over the years, I've given myself a bit of that latitude. It is shocking. You have to do more. You have 11 million people in the province of Ontario. How many employees at your ministry right now?

**Ms Stevens:** André, do you have the exact number of employees right now?

**Mr Castel:** I believe it's approximately 1,750.

**Mr Pouliot:** How many did you have last year at this time, sir?

**Mr Castel:** We've reduced a total of 400 people.

**Mr Pouliot:** You have reduced 400 people. They were always very busy. With the pressures on environment, people were working very hard, otherwise there would have been a recommendation from the deputy minister to reduce the number of people. Am I right as a citizen to assume that everybody has always worked very hard at environment; it was high profile, it was focused?

**Ms Stevens:** Certainly from what I've seen in the last year and a half, in the time I've been there, and then when I was there in the early 1980s, yes, I think people do work very hard. But, as you well know, what's happened in the last year is that we, like all ministries, have done business planning, we have focused on core programs, we have eliminated areas we felt we had been successful in and no longer needed to focus on. We got out of some businesses. An example is the area of high-volume, routine testing. That's been handed over to private labs to do. That's an area private labs are quite capable of handling. We didn't require the ministry to do that.

**Mr Pouliot:** Science and technology keep you abreast, keeps you au courant of development, gives you a chance to go beyond defending the mandate of the ministry, but you can be proactive, right? Like everywhere else, it's a quick-moving world. Do you feel that you have sufficient resources under research and development?

**Ms Stevens:** Yes, I think we do. We have several hundred people in that area. We could give you the exact number, but we're talking hundreds of people in that area.

**Mr Pouliot:** The fact that your budget in science and technology was decreased by two thirds is not a concern, you'll be able to do just as well?

**Ms Stevens:** Again, we will focus on priorities. The other good news most recently is the harmonization effort with the federal government and other jurisdictions. Again, one of the subagreements there will be research and development. So, across Canada we will more effectively, more efficiently work on what the priorities are in research and development for Canada.

**Mr Pouliot:** So, when your budget is slashed by almost 50% overall in the very short period of one year, you feel very comfortable that you can make all the transitions possible and put a positive spin on this? I work with professionals. I know that you are under a great deal of stress. I occupied four ministries when we were there.

**Ms Stevens:** Yes, I'm aware of that.

**Mr Pouliot:** When the government, regardless of stripe, cuts a budget in this magnitude, the deputy ministers, the assistant deputy ministers, the managers and the directors are under a great deal of stress, especially when it's done in-year, where your year is condensed. I too used to go out and say, "The sky is not going to fall." I even said, "When everything is dark out there, you can see the stars." I used to read a lot because I needed to come up with some of those quotes, but you're better than I am.

The thing is, everyone has known that the Ontario budget has been slashed, that you've embarked on a three-year monitoring program. If I was to cost the average cost of review, you can come up with the dinero, you can come up with the money, because you don't have it but you hope that somewhere you will be able to find the money.

I can only offer my admiration and my sympathy for, obviously, your ministry and your friends at the ministry. You work in close liaison with the Ministry of Natural Resources, which has been under a deliberate and systematic attack. Everybody is pro-environment, but what is being done here — I see that some of the free enterprises have a phobia that the environment runs contrary to promoting jobs and promoting good economic health in our community, which is quite the contrary. I've lost faith in them. But I hope that the good people we have at the ministry, with the meagre resources that they have, constantly, daily under a state of siege, will be able to survive. I can only wish you well. I can go on line by line about what has been done.

**Mr John Hastings (Etobicoke-Rexdale):** My primary concern relates to the smog problem that we have in Toronto, the urban areas of southern Ontario, not just Toronto proper. You have reduced resources. You're going to refocus your priorities in terms of trying to contain this problem. But I would like to know, Deputy, how, with your reduced resources, you can gather sufficient data and link the concern I have, a lot of people have, regarding the smog problem in southern



Ontario and, I suppose, in southwestern Ontario to our rising health care costs in terms of the number of asthmatics we probably have going to hospital as a result of the use of certain hazardous and other chemicals.

I would like to know whether the new agreement that Ontario has signed on to does not in effect really increase and reconfirm the regulatory approach to this problem rather than looking at what the Environmental Protection Agency has attempted over the years. I understand that you have in your ministry a study of a tradable pollution credit system for certain types of chemicals, SO<sub>2</sub> for example. Why wouldn't we take a look, at least, on a pilot-project basis as to why that approach can't be incorporated into what I see as a more increased regulatory approach; that we are not looking at more flexible and innovative things in dealing with these problems?

You've combined some regulation with what the EPA has managed to monitor over the years through Congress in this whole area of tradable pollution credits. I'd like to know whether this ministry is ever going to move in that direction, given that I understand there was a study undertaken several years ago. If there is, would not such an approach answer some of the concerns the auditor has regarding the smog problem? I know it's not labelled that; it's got a more scientific characterization.

**Ms Stevens:** We know it as the smog problem too. I recognize the topic.

**Mr Hastings:** Those are my primary concerns.

**Ms Stevens:** I'm going to ask Ivy in a minute to talk about a pilot we have on emission trading. But this is being addressed on a number of fronts. I talked at length about one in the opening address, and that's the updating of standards to focus on air standards. We know that has to be the focus, and we are addressing that on a number of fronts: with the adoption of them from other jurisdictions; with working with the federal folks and other provincial governments and territorial governments. There's also a smog plan, an overall Ontario smog plan that we are working on with all stakeholders, and I'm going to ask Ivy to expand on where that's at at the moment.

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The other thing I'm sure you've heard my minister talk about is that we are looking very hard at an effective and efficient vehicle emission testing program for southern Ontario. We're doing a lot of work on that at the moment. If that comes to be, it's probably the next most important thing that can be done to improve the air quality in the province. Industry has gone a long way — we have figures to back that up — but the next most important area to address would be vehicle emissions, to get the biggest reduction.

Also, the minister is quite committed to dealing with the fact that 50% of Ontario's air problems come from our neighbours to the south, and he is very interested in not only pursuing that with his federal colleague but personally addressing it individually with the various states. He's already met with at least one of those states and has plans to meet with more of them in the upcoming months.

But I would like Ivy, if she would, to talk about the smog plan that we're working on as part of a national

strategy and also the pilot that we have going on emission trading, which is what I think you were referring to. Ivy?

**Ms Wile:** We have a number of voluntary arrangements in place. First of all, on PERT, we have a pilot in place. There are a number of companies involved, including Ontario Hydro, and there actually has been a trade that has taken place with Detroit Edison. We have a number of arrangements under way on the smog plan at the present time. I should say that our smog plan really identified the concerns relating to smog and set a long-term, 20-year target for reduction, particularly in NO<sub>x</sub> and VOCs and particulate matter.

Under the plan now we have eight sectoral working groups, including industry, that are working on plans to achieve this reduction target, and of course a part of the reduction is also related to the vehicle emission testing program that the deputy referred to.

We have a whole host of other voluntary arrangements, particularly with the auto manufacturing sector and dry cleaning industries. We have individual memoranda of understandings. We have an awards program. These companies have voluntarily made fairly significant commitments. For example, in auto manufacturing alone we've had voluntary reductions in the realm of 150,000 kilograms of pollutants, VOCs, per year. We've made some very significant progress.

As the deputy mentioned, one of our largest problems continues to be transboundary, particularly the difference in the standard for ozone between us and the United States. Ours sits at 80 parts per billion, and the US allows 120 parts per billion. One of our targets has been to pressure for reduction in the standard in the US.

**Mr Hastings:** I appreciate all that. It answers some of my concerns. But one of the other items is, how are you going to be able to achieve and measure results if you do not have any data from our hospitals as to the number of folks who are entering hospital because of the rising smog problem?

Secondly, we are getting an increasing number, I believe — they're not out there yet — for tuberculosis incidence in our schools.

Thirdly, we have a problem right in southern Ontario, through this ministry I believe — I've forgotten the number of the regulation that allows for the increasing proliferation of used oil burners. We have an industry in Ontario that will try to capture used oil, yet the ministry has a reg that is allowing the sale of used oil burners, particularly in Metropolitan Toronto. I have a map that shows the number in northwestern Metro.

You may not be able to answer those particular items today. Perhaps we could get a report back through the auditor. Thank you.

**Mr Marcel Beaubien (Lambton):** Good morning and thank you for your presentation this morning. My theatrical abilities are certainly not to the level of my good friend from the third party. However, my main concern is with the environment this morning. It's a general question really. The mandate for the Ministry of Environment and Energy is to protect the environment and the health of Ontarians, and I must point out also that this government is concerned about the environment.



As mayor of our community, in 1985 we commissioned a study in our municipality which monitored air, water and ground quality. It was done by Canviro of Kitchener to the tune of \$800,000. The Ministry of the Environment paid for it. So for anyone to allude to the fact that this government is not sensitive to the environment, I think it's incorrect and I take exception to that.

With regard to small municipalities in Ontario that cannot afford to have a sewage treatment plant, the ministry's position is that they must build a certain type of plant that treats the effluent 100%, but in some cases it is not financially feasible. There are sewage package plants that are available, that are cost-effective, that are affordable, that treat the effluent 98% to 99%. Why is it that the Ministry of Environment and Energy is so reluctant to approve some of these plants? My concern is that we continue polluting the environment by not treating effluent. Wouldn't it be better to treat the effluent 98% to 99%? I think the impact on groundwater, the environment itself, would be substantially reduced if we did something we can afford. Do you have any comments on that?

**Ms Stevens:** I'd like to ask Sheila Willis to address the type of plant you're describing.

**Mr Beaubien:** For instance, I have a community in my riding, a little hamlet of about 300 people by the name of Inwood. Some engineers there have designed a plant. I think the cost would be somewhere in the neighbourhood of \$500,000 to \$700,000. The ministry will not approve it. They want a plant that will cost probably \$5 million, and there's just no way that's financially feasible for this particular hamlet. I don't have all the design but I certainly can provide that. I know the plant has been designed by MIG Consulting Engineers in Lambton county and it's 98% to 99% efficient.

**Ms Stevens:** I don't know the reason why that plant hasn't been approved. I don't know whether it's using technology that's not known and proven. Do you know the reason?

**Mr Beaubien:** I don't know. If I were to bring it to your attention directly —

**Ms Stevens:** I'd be happy to look at it. Certainly we could provide you with answers as to why it has not to date been deemed to be acceptable, if that's the issue.

**Mr Beaubien:** I'm concerned about the environment also. I think if we can do something about it in a cost-effective manner, it's a heck of a lot better than not doing anything about it.

**Ms Stevens:** I agree.

**Mr Beaubien:** I'll undertake to bring it to your attention personally.

**Ms Stevens:** What was the name of the community again?

**Mr Beaubien:** Inwood.

**Ms Stevens:** Okay. If you'd like to provide me with further information, I'd be very happy to get back to you.

**Mr Beaubien:** I will. Thank you.

**Mr Crozier:** Good morning. A couple of very quick questions and then we'll try and get into something that's a little more substantive. You mentioned this morning about the emissions from automobiles. I have friends who have great restored antique cars. Can I assure them that you're not going to take the licence off the automobile

because it's a 1929 Ford and maybe doesn't come up to the 1996 or 1997 standards?

**Ms Stevens:** Two answers to that: First, under most emission testing programs, the vehicle has to meet the standards for a vehicle that year. In other words, a 1985 doesn't have to meet a 1995 standard.

Second, yes, in most vehicle emission programs, antique historic vehicles are exempt. I know the minister has been considering this point, has had deputations in fact on it, and I do believe he's favourably inclined to that.

**Mr Crozier:** Second, in my area, in Essex county — it may apply to other areas — we have been in communication with the ministry for, I would say, conservatively, in excess of two years to get a septic system approved that is called, in layman's terms, a semiraised system, which is significantly less costly to install as compared to the fully raised septic system. My question applies to that specifically but may apply to other things in general. Why does it take two years to get something like this approved? What happens? Where does it all go and where does it all get tied up? I'm assured that we're about a month away from a decision, which I'm very thankful for, but what happens?

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**Ms Stevens:** I think what you're referring to is the evapo beds, which we see only in southwestern Ontario, in your county and I think one other, maybe Kent county. I think the overall answer is they're not a known technology. Our people are not confident that they work. As I hope you know, for the last six months we've done a study on some of those systems and what I've seen of that study so far is not entirely convincing.

**Mr Crozier:** Isn't that strange. You've looked at it for six months; we've had these kinds of systems installed for several years now. Our information is that it is working. I know you can't speak candidly to some of Mr Pouliot's questions because you have the government, your boss, sitting there, but I have spoken to your officials in our area and they have confidence in these systems. So where's the breakdown?

**Ms Stevens:** I'm certainly not aware of any breakdown.

**Mr Crozier:** I'm sure you wouldn't be because they apparently can't tell you that; I don't know why. But they can tell me that.

**Ms Stevens:** With all respect, that doesn't make sense to me.

**Mr Crozier:** It doesn't make sense to me either.

**Ms Stevens:** There's nothing in it for the ministry that these systems would not work. We'd be happy to welcome new technology that works and is less expensive.

**Mr Crozier:** Well, you don't seem very happy to welcome it. I get the sense today that the answer I'm going to get, hopefully by the end of the month, may not be the answer we want.

**Ms Stevens:** I don't know the answer you're going to get on those systems today, as I sit here. What I'm saying is that what I have so far read of those studies — and I haven't finished reading the material I've been given — was not quickly encouraging to me. I have concerns. I have more questions. I've sent it back to the staff.



I too am as interested as you are in making systems work in that area of the province with the kind of clay problems you have. I recognize the problem, I recognize the added expense, but surely it's in all our interests to ensure that these do work, not just today but 10 years from now, that we're not cleaning up water problems out there.

**Mr Crozier:** I agree wholeheartedly. It's just that we've been at this for several years, you say you've looked at a study that covers six months, and now we want to be sure the system works over a 10-year period. To me the only way you can find out is to monitor it over a 10-year period. Anyway, I hope the answer is coming this month and I hope it's more positive than I gather today.

In your comments this morning, right at the top of page 4, the auditor has said that we should "remove air monitoring instruments that are obsolete and redeploy others," but your answer seems to indicate that our instruments are very accurate. What is it? Do we have any obsolete instruments?

**Ms Stevens:** We worded our response like that because we do believe the equipment we have is the best currently available commercially. We do believe that. Sure, tomorrow there might be something that's obsolete in the sense of worn out and we need new, but no, we don't believe this is a problem.

**Mr Crozier:** So you don't agree with the auditor on that one.

**Ms Stevens:** I guess I'm saying I don't agree with the way that's strongly worded.

**Mr Crozier:** That's certainly your prerogative. Further on you say, "We will continue to install new equipment as the need arises." How do you determine that need?

**Ms Stevens:** What I was talking to a minute ago, where equipment is worn out, or where we're aware that a new, improved technology has come on the market.

**Mr Crozier:** Or an area where there are no instruments, you get complaints or somebody decides that you need to monitor in another area? I'm just trying to further define the word "need," how you determine it. I can understand if a piece of equipment wears out, but how do you know that you don't need twice as much equipment in twice as many locations?

**Ms Stevens:** Sheila, go ahead.

**Ms Willis:** If I could just offer, the network that's being referred to of 89 is the continuous air monitoring network. We have in addition to that a number of other stations, dozens if not hundreds of them, that monitor specific points, and if a new industry moves into a location and requires specific point source monitoring, that would be installed. If the sources that are causing us to monitor in a specific area cease to exist or change their air emissions — perhaps go into a closed loop or something like that so that the air conditions are monitored in a different way — or if the monitoring is not required, then that would cause us to move in some cases, remove in other cases, or install new equipment as warranted.

**Mr Crozier:** I want to move to the area of hazardous waste and something that's at least relative to this area. We in Ontario must have thousands of locations where hazardous waste may exist. For example, gas station

locations where over the years the soil has become contaminated through leaking of gas or spilling of gasoline or oil. In fact there's evidence I think mounting that gasoline producers, oil producers like Sunoco, Esso, name any of them, are cancelling their contracts with station operators, making them then responsible for the location, and turning right around and selling them gasoline again, but they're saying they're not affiliated. Is there anything the ministry's doing to determine the extent of the problem with the location of gasoline stations, for example, and the contamination there might be?

**Ms Willis:** First of all, I think it's important to differentiate between hazardous waste and a product. Gasoline for the most part is a product. If it spills into the environment, for instance, leaks out of the tank or is spilled around the tank, it's then contaminating the soil. That's not what we're talking about when we're talking about hazardous waste generators or the storage of hazardous waste. I'd like to just clarify that.

**Mr Crozier:** I realize that, but I had to get into it somehow or the Chair wouldn't let me ask the question.

**Ms Willis:** That's all right. I just wanted to differentiate.

We do address that. We do have a memorandum of understanding with the Ministry of Consumer and Commercial Relations to define our role and theirs as it relates to what happens in and around the pumps, and we act accordingly. Once there is contamination in the soil as a result of either a spill or a leak — it could be a tank that leaks that's been there for many, many years — then we use our decommissioning guidelines. We can order the owner to clean up the hazardous material, and we do that. The law provides for us to order and require action not only from the present owners but from previous owners. So if there's an indication that the spill occurred during the previous ownership and activity, then we have absolutely every legal right and we do go after the previous owners.

**Mr Crozier:** I appreciate you not ruling me out of order, Chair, for asking.

**The Vice-Chair:** The Provincial Auditor would just like to make a comment.

**Mr Erik Peters:** I'd just like to follow up on the point of obsolescence of equipment. Maybe you can help me out. At the moment it looks like you and I are at loggerheads on this particular point.

When we did our audit we found that certain types of instruments had a failure rate as high as 80%. When we discussed that with ministry staff, generally there were two areas of concern. One was that the equipment was obsolete — that's what we were informed by the staff — or there was insufficient training or some human failure occurred that caused these instruments not to operate at the proper rate. You indicate that there is no longer a problem with obsolete equipment, if I understand your comment correctly. Can you confirm that? Has something been done since we did our work that came to this conclusion at this particular point?

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**Ms Stevens:** I will ask Ivy to address that because I truly believe that our instrumentation is current and was current.



**Ms Wile:** Perhaps "obsolete" is the wrong word. We do have some aging equipment. We do need to upgrade occasionally, and we do that. It's the fact that the type of equipment we have out there is consistent with what's in other jurisdictions to measure conventional pollutants. There isn't any new, wonderful technology that we don't have.

The only area where we are upgrading our equipment is for measuring the small inhalable particulates that have been linked directly to health, the PM10 and the PM2.5, because they penetrate the lungs and bury themselves very deeply in the lungs and have potential impacts on the air sacs in the lungs. We have been gradually installing new PM10 and PM2.5 continuing monitors, at a number of stations. We've also upgraded some of the ozone measuring equipment so that we get better readings. There is ongoing maintenance required.

I think the variation that's found when we audit is that we audit against a standard and normally we allow a 10% variation in either direction, plus or minus. It's like setting your scale to zero, and it may vary a little bit to each side, as your starting point. We use a 10% variation, plus or minus, as our standard from that certified audit level or standard. Other jurisdictions actually, like the US Environmental Protection Agency and even Environment Canada, use a 15% variance, so if we applied the 15% variance, our equipment would even look a lot better. We do upgrade it, but it's not obsolete in the sense that it's out-of-date equipment. It's more a case of making sure we replace parts and keeping it operating well. Overall, 95% of the two million bits of data we collect each year is accurate. That's a reasonable level of accuracy, I think, by anybody's standards.

**Mr Peters:** Chair, thank you very much. I think that clarifies the situation somewhat for us.

**Mr Pouliot:** Before I go on, I listened intently. In any event, you have no money to buy new gizmos or gadgets, so you're doing very well with what you have.

Madam, I have two questions and I wish to turn your attention to your presentation, page 8, the second paragraph:

"The auditor's report also notes that the ministry maintains a marine unit with six large boats, a staff of two captains and additional support staff. He notes that these resources are significantly underutilized." It then goes on to say, "The six vessels in question were acquired in the past when the federal government provided some \$1.5 million per year" of funding. Can you tell me a little more about that? Because I see that they've been discontinued, some of those rust buckets have gone to auction or they're going to disappear. Who's going to monitor the Great Lakes?

**Ms Stevens:** You're quite right, some of the boats have been declared surplus and put into the government proposal for the disposal of government surplus property. There is interest in that, including from our federal colleagues. Our federal colleagues are interested in one of the larger boats. It can be used for Great Lakes monitoring.

We, though, are keeping two boats. One will be in active service and the other will be a backup boat. We will continue in our role, which is — what's the term?

**Ms Wile:** Near-shore.

**Ms Stevens:** Thank you. Near-shore monitoring. We had these vessels but, as you know, and the auditor's right, we were underutilizing them. I think we're really getting down to what we need now. Our federal friends have had reductions in that area and they've expressed an interest in working in a more coordinated manner than we even have in the past.

**Mr Pouliot:** This will leave you with how many boats?

**Ms Stevens:** Two boats.

**Mr Pouliot:** What do they do, in a broadly summarized form?

**Ms Stevens:** Ivy, can you talk about the sampling they do?

**Ms Wile:** Every year we discuss with our colleagues in the regional operations what specific needs they have along the Great Lakes. We also address sampling needs for the remedial action plan areas. We develop a series of surveys. The boats go out. They collect water samples, they test sediments if the problem is contaminated sediments, and they report back. Then we determine what action is necessary. There's always a yearly schedule of surveys that are carried out.

**Mr Pouliot:** You see, I must confess to you I have a bias. On the one side there is Lake Superior, the largest of the Great Lakes, and on the other there's Lake Nipigon, the largest body of water beyond the Great Lakes. If I go to the other end of the riding I get to Hudson Bay. That little tub — I mean, that boat is going to be busy. The likelihood of seeing the same boat twice in my lifetime would be like being struck — I have a better chance of becoming the Emperor of China than to see the same boat twice in the same area. Aren't you stretched in terms of resources? It's very little. It's impossible to answer the question, I know.

**Emissions:** Air quality is a concern to all of us. Approximately what percentage of pollutants, when we refer to air pollution, comes from exhaust from vehicles?

**Ms Stevens:** I was going to say 12%, but I think I'll defer to you. Is it 12%? Am I correct?

**Ms Wile:** I think it's in the realm. Roughly 12% to 15% of the smog is due to vehicles.

**Mr Pouliot:** You're the expert in the field, and I thank you. If I was to go to a forum, a panel, of knowledgeable people on this subject matter, I would say, "Twelve percent of air pollution comes from exhaust?"

**Ms Wile:** Not air pollution. We're talking smog here. There's a whole host of different types of pollution.

**Mr Pouliot:** I'm a taxpayer, Madam. You'll have to define. I'm not wording my question right, and I apologize for that. Exhaust fumes, trucks, vehicles. What is it, 30% of the air pollution, 40%? You said 12%, is it? Because I'm going to call the Globe and Mail right after this and they have a section — I'm going to quote your name and I'm going to quote mine too, and I'm going to get the answer. You've said that it's 12%.

**Ms Wile:** I'd have to verify the accuracy, but it's in that area for smog, recognizing that 50%, roughly, is coming from transboundary. Of the remaining 50%, it's roughly in that vicinity.



**Mr Pouliot:** So you're going to address that. You have an emission testing program. It works in conjunction with MTO, with the Ministry of Transportation?

**Ms Stevens:** I'm sorry, I have to correct you. We don't have in Ontario a vehicle emission testing program.

**Mr Pouliot:** But you are planning?

**Ms Stevens:** We are actively looking at one and, yes, we are doing it with your former Ministry of Transportation. We're working with them.

**Mr Pouliot:** Where did you go to see if there was a similar program elsewhere? Is there?

**Ms Stevens:** I unfortunately have not gone to any other jurisdiction to see their programs. We have, though, I can assure you, looked at just about every vehicle emission testing program that we are aware of, whether it's the one in Canada, which is in BC, or quite a number of the states have them. We've looked at them all, at least on paper.

**Mr Pouliot:** With high respect, British Columbia, with its great capital of Victoria, is not the worst place in the world to be in early or mid-December to look at how the system works in our sister province.

Walk me through the program. I know there are a lot of young people paying us the compliment of a visit. They want to see how the system works. I'm sure they've gone away very impressed. But more important in their case perhaps is the accessibility to a driver's licence in good standing. They want to be able to drive cars. Unfortunately, their future does not augur too well. It's a difficult time for generation X. It's more difficult than it's been before. They can't look to the future with the same confidence as they could some years ago. In fact, if you were to ask them — they're between the ages of 15 and 24 — "Are you better off now than you were two years ago?" they would have to say no, because statistics will attest to that.

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So they get a car. They cannot afford the same car that some of you people can, and that's okay, that's great. If they've got a 1990 — what do they call those cars, Neon? I don't know anything about this. Chevy, Chevrolet? — and they pay so many thousand dollars, what are you going to do with that? Walk me through the process. Harry Smith now is sitting right behind you, listening intently, just bought his first car. It's a 1987 Chev, whatever.

**Ms Stevens:** Typically what a jurisdiction would do that has a vehicle emission testing program would require that vehicle to be tested — normally it's every two years. It would be brought in and there are some systems in which they do what they call a very quick test — it takes maybe 20 minutes from the time you arrive to the time you leave — to see whether you are a candidate for more through testing.

Let's say the car is a gross polluter; it's not meeting the standards for that 1985 vehicle. Then the person will be obligated to fix it up. Some jurisdictions ask them to do that immediately, to fix it up 100% whether it costs them \$200 or \$2,000. Quite a number of jurisdictions, that first year of testing, put a cap on what you or I or that young person you were just talking about would have to pay, but it would be noted that the following year they

would have to spend more money to bring it completely up.

**Mr Pouliot:** Okay. Let's take the other extreme, if you wish. Let's say our good friends and colleagues opposite would go to a — let's say Al Palladini, who is the Minister of Transportation, and he also runs one of the large Ford dealerships. So let's suppose —

**Mr Steve Gilchrist (Scarborough East):** On a point of order, Mr Chairman: The member knows full well that no cabinet ministers own anything. Perhaps you might choose to rephrase your —

**Mr Pouliot:** Operates?

**Mr Gilchrist:** No. He doesn't operate either.

**Mr Pouliot:** Okay. Well, he used to.

**Mr Gilchrist:** He has no interest in that business.

**Mr Pouliot:** Anyway, he is cognizant of the product.

**Mr Gilchrist:** He used to own a car dealership.

**Mr Pouliot:** Okay. He used to. Thank you.

**The Vice-Chair:** Everything's in a blind trust.

**Mr Pouliot:** Let's say that one of my fortunate friends and colleagues would go and buy one of those big cars that you read about, a Lincoln, brand-new. He can afford it. When would they have to be —

*Interjections.*

**Mr Pouliot:** Monsieur, there are eight of you and one of me. Have respect for my time. I respect you.

Madam, when would they have to be tested with a new car, like a brand-new, shining Lincoln coming out of a dealership?

**Ms Stevens:** Some jurisdictions that have vehicle emission testing programs would require all vehicles to be tested. Other jurisdictions would say within two years.

**Mr Pouliot:** So you have some lapse. If it's a brand-new vehicle, the manufacturer —

**Ms Stevens:** Some jurisdictions have. Others have not given any kind of, as you phrase it, a lapse.

**Mr Pouliot:** So I could walk out of a dealership with a brand-new car with the warranty in my back pocket, half a tank of gas with my car, but if you buy a big car a full tank of gas, and I have to go across the street and get tested?

**Ms Stevens:** Well, perhaps within a year you would have to, because of course just because one owns a new car doesn't necessarily mean you're going to maintain it any better than somebody would with a 1985 vehicle. The issue is maintenance, whether one maintains it.

**Mr Pouliot:** If that were the case, Madam, I can assure you that even bashful me would come out of his shell big time. You've paid thousands of dollars to buy a car —

**The Vice-Chair:** Thank you. Your time is up. Mr Boushy.

**Mr Dave Boushy (Sarnia):** I just have one brief question. The movement of PCBs has been an issue in my riding on and off. You monitor the movement of PCBs in an area. When the PCBs go out of storage to be sent for destruction, is there a requirement for monitoring? Do you track it down when it's moved for destruction?

**Ms Steven:** Yes. Under our system there would be a manifest concerning the removal of that material from the generator, the carrier and the receiver of it. It would be tracked all the way, and if there was any discrepancy in



that amount, one of these exception reports would be popped out of our computerized system and investigated by a ministry staff person.

**Mrs Brenda Elliott (Guelph):** Just a couple of questions: I noted that you've already got some proposed standards on the Environmental Bill of Rights registry. I'm curious to see what kinds of responses you're getting to those standards that have been posted.

**Ms Stevens:** We have posted the actual three-year standards plan. In other words, we've said: "Here's the plan we're proposing over the next three years. Here are the standards we think we should focus on. What do you out there think?"

That consultation process closed on December 9. I'm aware that we've received 30-something proposals. I personally haven't seen or read the 30 yet. Ivy, I don't know if you've had the opportunity in the last 10 days, not even 10 days, to read them. We could certainly get back to you on that.

**Mr Gary Fox (Prince Edward-Lennox-South Hastings):** Something I have a concern with is the definition of "hazardous waste"; for example, a used cement block out of a building. I've had numerous complaints about this in my riding. I have a particular example where a building was being torn down and the cement blocks were trucked to a farm because the farmer wanted them. He would allow them to dump them there and he would keep the blocks for future use in buildings on his farm. An enforcement inspector caught on to the fact that they were dumped in a pile on this farm and he was charged with having hazardous waste. That's where I have a problem with the definition.

**Ms Stevens:** Ms Willis will answer that question.

**Ms Willis:** I don't know the exact circumstances, but you cannot deposit waste just anywhere, and this would be construction and demolition waste generically, I assume. There are places to take waste, to landfill sites. Additionally, and I do not know the circumstances, it may be that the material was not inert, that it was not clean construction debris, and it may have been contaminated with some other toxic chemicals or whatever, not knowing where it came from. There could be a number of circumstances.

At a construction site there's a requirement to source-separate the demolition waste between the hierarchy of 3Rs in terms of where and how that material is handled. We like to see that material reused and recycled where possible. Depending on precisely what transpired, there may well have been grounds for an investigation and action.

**Mr Fox:** The blocks came out of a torn-down motel.

**Ms Willis:** Again, without knowing, I'd be prepared to speak to you or get more information on it.

**Ms Stevens:** I really think we should look at that for you. I hear what you're saying, that it doesn't seem to make any sense. What is a block from a motel unit going to be contaminated with? We'd be happy to have a look at it and give you an answer. There has to be an answer to that.

**Mr Beaubien:** I have a very brief question. On page 122 of the auditor's report it says that his review "of the 200,000 well records submitted to the ministry over the

last 12 years, only about 30,000 have been entered." You mentioned in your presentation that you're concerned about the groundwater. In a couple of paragraphs above or in a previous speech it says that 2.8 million people in Ontario depend on groundwater as their water source. Why has the ministry been so slow in maybe having a record of those wells? Is there any particular answer?

1150

**Ms Stevens:** The ministry was doing a good, efficient job of that until about 1985. In fact, all the records up to 1985, and I think that's about 30 years of records, have been computerized, but a backlog arose over the last 10 years, since 1985, and that is what we are trying to address now. By the way, it's not that people haven't been able to access those records. They're accessed every week but it's very inefficient at the moment. We have people going through filing boxes.

**Mr Beaubien:** So it's a procedural problem, more or less, that you have.

**Ms Stevens:** Yes. We've tried the last number of months in-house to catch this up ourselves. Some progress is being made but not enough. Frankly, I think it's the kind of thing we just have to blitz, put a team on it and get the data entry done, and that's what we're going to do. We were trying to do it in-house, having negotiations with an outside organization involved in wells that is interested in taking this over. I think those discussions are taking too long and that we should continue those discussions but meanwhile blitz this updating of data.

**Mrs Elliott:** Along with the groundwater, I know the minister made a speech this summer about the interest in and concern for improved emphasis on groundwater protection. I'm just curious as to what strategies the ministry is moving in beyond improving the database etc. For instance, the University of Waterloo has a groundwater institute, I believe. What partnerships are being developed? This is a project that has a lot of potential partners out there.

**Ms Stevens:** I'll ask Ivy to expand on this, but first we're getting our act together within government. A number of ministries are involved in groundwater protection, not only our ministry but the Ministry of Natural Resources, the Ministry of Municipal Affairs and Housing, the Ministry of Agriculture. The first thing we're doing is reviewing the policies and processes in these ministries. Also we've been working with the Ontario Farm Environmental Coalition. They've been one of the partners.

As we get our act together we need to expand with organizations like you've mentioned to see how we're going to proceed from here. It's this work that we hope to be able to bring to the minister in March 1997.

**Mr Crozier:** Back to vehicle emissions. The Globe and Mail had an article on October 2. Part of that article was not directly quoted by the minister, but it was reported that if we get to this vehicle emissions program, the test itself would be performed at licensed garages rather than government facilities, and the charge for performing the evaluation would have to be reasonable.

My gut feeling is that if it is done at licensed garages, and if in some cases the cost for bringing the vehicle under the regulation might be excessive, there may be an



occasion when the garage will give a certificate when it shouldn't be given. Is there anything, as part of the review of this program, where the government either randomly tests vehicles itself and/or somehow tests that all licensed establishments are abiding by the law?

**Ms Stevens:** I think a number of people have the concern you've just raised. What's going to be important is to look at options for people, where you would choose to have your vehicle tested, whether you wanted to take it to your corner garage or to an independent testing station, be that government-owned or private-sector-owned and run.

**Mr Crozier:** I just raised that because I'm sure in your review of it those kinds of doubts creep in. I would hope it's the case that we can be sure the standards are applied rigidly and evenly and that there's no sidestepping of them.

**Ms Stevens:** I appreciate the point you're making.

**Mr Crozier:** One last thing: the trans-border problem down my way towards the Windsor-Detroit area. I sometimes enjoy just going up alone and flying around the county, and whenever I come back into Windsor airport I see that orange haze hanging over the skyline, much of it coming from Detroit, from Zug Island. In fact, one of my colleagues, Sandra Pupatello, raised this question in her debate in the Legislature last night where Jim Bradley, when he was environment minister, met with the mayor of Detroit. I can't recount that for us today because we don't have time, but it was a very interesting and colourful meeting.

What can we do as a province, and do we have to have the feds' cooperation, to try and get some sort of response, some sort of cooperation from the United States?

**Ms Stevens:** I think we have to, and do, and will work with our federal colleagues, but I think we have to be more aggressive. My minister strongly thinks that. Sure, he'll work with Minister Marchi, but he's going to get on with it too in dealing directly with the governors of the various states bordering us.

**Mr Crozier:** What can we do? Can we take them to court? In other words, if the United States doesn't cooperate, and the southwest winds are prevailing down my way and you can see that stuff coming across, is court one way, like an international court or a US court?

**The Vice-Chair:** Dispatch our navy.

**Mr Crozier:** Dispatch our navy, that's right. Get those boats down there.

**Ms Stevens:** If they were violating the standards set in their country, yes. Ivy referred earlier to the different standards they have there, and that's an area we've been focusing on in various forums to try to persuade them to bring their standard in line with ours, to a more rigorous standard.

**Mr Crozier:** It's not an easy task ahead, in all probability.

**Ms Stevens:** It's definitely a challenge. No doubt about it.

**The Vice-Chair:** Thank you very much. In the next meeting we will be concentrating on drinking water and sewage treatment plants, chapter 4, if I'm not mistaken. Because there has been a change in our schedule, we thought we would have you back on January 23 to deal

with chapter 4 in the 1994 auditor's report, just a follow-up to that.

**Ms Stevens:** Mr Chair, I'm sorry, but I thought we were here to address both those chapters today. In fact, my remarks addressed both those chapters, as did a number of questions and answers today.

**The Vice-Chair:** Our intention was to have more of a detailed briefing and some questions relating to chapter 4.

**Mr Gilchrist:** The government has no further questions.

**The Vice-Chair:** On chapter 4? It's really the wish of the committee. If you feel that the questions answered by all members are sufficient to cover those areas, there is no compulsion to have them back if you don't wish to have them back. It's really your prerogative. The government side has basically dealt with that area, and it's really up to the majority here.

**Mr Pouliot:** Our party is satisfied with your answers and we thank you.

**The Vice-Chair:** So what we'll do is, if there's unanimous consent, as we accepted the subcommittee's report to have them back on the 23rd, we'll just waive the 23rd meeting dealing with those areas. So moved by Mr Crozier. All in favour? Opposed? Carried.

The auditor just has one question he would like to get cleared up before you leave.

**Mr Peters:** If I may, just to help the committee write the report: On page 2 of your presentation you refer to the fact that there will be 282 new standards developed by 1999. Up above you indicate that the ministry and my office were in agreement that the standards for drinking water, soil and sediments are up to date. In the next paragraph you refer to 73 new standards, which you already referred to, I believe, in response to our recommendation.

Would it be right, or could you possibly help the committee in writing the report, to say why 209 of the 282 standards are therefore in the drinking water, soil and sediments area, if they're up to date, and what the priorities were on which this decision was based, how they were posted? It's not for an answer right now, but to help the committee correlate the two factors it would be helpful.

**Ms Stevens:** We can certainly share the three-year plan of the 282 standards, which of course are not only air standards; there would be water standards, soil standards, because of course there's constant revision, updating. Is that what you're asking for?

**Mr Peters:** Yes, the analysis might be helpful to the researcher in writing the report.

**Ms Stevens:** Okay. We'll provide the three-year plan.

**Mr Fox:** I think we should have an updated copy of those standards. We can review them and then we could decide whether we'd like to have this ministry back again.

**The Vice-Chair:** Are you talking specifically about the water standards, Mr Fox, or all the standards that are changing?

**Mr Fox:** All 282 standards.

**The Vice-Chair:** Okay. In your response to the auditor, you could essentially give us an overview of the

changes in the 282 standards and the rationale for changing them, not something that goes into great detail but just to give us an indication of the changes and the new benchmarks. I think that's what we're looking for.

**Ms Stevens:** Maybe I should make it clear that the 282 standards in the plan are standards we are proposing, over the next three years, to revise or create a standard for. We haven't done it yet.

This is the plan that's been put out there. But we can give you that and an indication of why we're recommending those 282.

**The Vice-Chair:** Yes. I think that's what we're looking for, just so we know the direction the ministry is going in terms of the new standards.

**Ms Stevens:** Would you like us to provide that through the auditor or directly to you, Mr Chair?

**The Vice-Chair:** Through the committee secretary, so that when we write our final report we can take that into consideration and maybe ask for more information, more clarification.

**Ms Stevens:** We will. Thank you very much.  
*The committee adjourned at 1202.*



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Mr André Castel, assistant deputy minister, corporate management division	
Ms Ivy Wile, acting assistant deputy minister, environmental sciences and standards division	

## STANDING COMMITTEE ON PUBLIC ACCOUNTS

**Chair / Président:** (vacant)

**Vice-Chair / Vice-Président:** Mr Mike Colle (Oakwood L)

\*Mr Marcel Beaubien (Lambton PC)  
\*Mr Dave Boushy (Sarnia PC)  
\*Mr Gary Carr (Oakville South / -Sud PC)  
\*Mr Mike Colle (Oakwood L)  
\*Mr Bruce Crozier (Essex South / -Sud L)  
\*Mrs Brenda Elliott (Guelph PC)  
\*Mr Gary Fox (Prince Edward-Lennox-South Hastings / Prince Edward-Lennox-Hastings-Sud PC)  
\*Mr Steve Gilchrist (Scarborough East / -Est PC)  
\*Mr John Hastings (Etobicoke-Rexdale PC)  
Mr Gerard Kennedy (York South / -Sud L)  
Ms Shelley Martel (Sudbury East / -Est ND)  
\*Mr Gilles Pouliot (Lake Nipigon / Lac-Nipigon ND)  
Mr Toni Skarica (Wentworth North / -Nord PC)

*\*In attendance / présents*

**Substitutions present / Membres remplaçants présents:**

Mr Ed Doyle (Wentworth East / -Est PC) for Mr Skarica

**Also taking part / Autres participants et participantes:**

Mr Erik Peters, Provincial Auditor

**Clerk / Greffière:** Ms Donna Bryce

**Staff / Personnel:** Mr Steve Poelking, research officer, Legislative Research Service

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**Standing committee on public accounts**

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1st Session, 36<sup>th</sup> Parliament  
Issue P-25

Thursday 30 January 1997

**Election of Chair and Vice-Chair; appointment of subcommittee**

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**1996 annual report, Provincial Auditor: drug benefit program**

Ministry of Health

Ms Margaret Mottershead, deputy minister

Ms Mary Catherine Lindberg, assistant deputy minister, health insurance and related programs

Ms Linda Tennant, director, drug programs branch

**STANDING COMMITTEE ON PUBLIC ACCOUNTS**

**Chair / Président:** Mr Bernard Grandmaître (Ottawa East /-Est L)

**Vice-Chair / Vice-Président:** Mr Richard Patten (Ottawa Centre /-Centre L)

\*Mr Marcel Beaubien (Lambton PC)

\*Mr Dave Boushy (Sarnia PC)

\*Mr Gary Carr (Oakville South / -Sud PC)

\*Mrs Brenda Elliott (Guelph PC)

\*Mr Gary Fox (Prince Edward-Lennox-South Hastings / Prince Edward-Lennox-Hastings-Sud PC)

\*Mr Bernard Grandmaître (Ottawa East /-Est L)

\*Mr John Hastings (Etobicoke-Rexdale PC)

\*Mr Jean-Marc Lalonde (Prescott and Russell / Prescott et Russell L)

\*Ms Shelley Martel (Sudbury East / -Est ND)

\*Mr Richard Patten (Ottawa Centre /-Centre L)

Mr Gilles Pouliot (Lake Nipigon / Lac-Nipigon ND)

\*Mrs Sandra Pupatello (Windsor-Sandwich L)

\*Mr Derwyn Shea (High Park-Swansea PC)

Mr Toni Skarica (Wentworth North / -Nord PC)

*\*In attendance / présents*

**Also taking part / Autres participants et participantes:**

Mr Erik Peters, Provincial Auditor

**Clerk / Greffière:** Ms Donna Bryce

**Staff / Personnel:** Ms Elaine Campbell, research officer, Legislative Research Service

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*The committee met at 1006 in room 228.*

**ELECTION OF CHAIR**

**Clerk of the Committee (Ms Donna Bryce):** Good morning. Honourable members, it's my duty to call upon you to elect a Chair for the standing committee on public accounts. Are there any nominations for the position?





**Mr Derwyn Shea (High Park-Swansea):** I would be very pleased to nominate Mr Grandmaître.

**Clerk of the Committee:** Mr Shea has moved the nomination of Mr Grandmaître. Are there any further nominations? Seeing none, I declare the nominations closed and Mr Grandmaître be elected Chair.

**The Chair (Mr Bernard Grandmaître):** It's strange, but I do have a speech prepared. Considering my opponents, I think you've made the right choice.

#### ELECTION OF VICE-CHAIR

**The Chair:** Honourable members, it is my duty to call upon you to elect a Vice-Chair. Are there any nominations?

**Mr Shea:** I'd be very pleased to nominate Mr Patten.

**The Chair:** Any other nominations? Nominations are closed. Mr Patten, Vice-Chair, congratulations.

**Mr Richard Patten (Ottawa Centre):** Oh, thank you.

#### APPOINTMENT OF SUBCOMMITTEE

**Mr Shea:** I will move that the subcommittee on committee business be appointed to meet from time to time at the call of the Chair or at the request of any member thereof to consider a report to the committee of the business of the committee; that the presence of all members of the subcommittee is necessary to constitute a meeting; that the subcommittee be composed of the following members: Mr Grandmaître as Chair, Mr Lalonde, Mr Shea and Mr Pouliot; and that any member may designate a substitute member on the subcommittee who is of the same recognized party.

**The Chair:** All those in favour? All those opposed? Carried.

#### COMMITTEE BUSINESS

**The Chair:** I understand Mr Fox has a motion.

**Mr Gary Fox (Prince Edward-Lennox-South Hastings):** Yes. I circulated a motion here this morning for everyone to see.

I would like to move that the standing committee on public accounts request that the Ministry of Community and Social Services develop the cost comparison between institutionalized individuals (schedule 1s) and these same type of people based in community agencies within four months, as of this committee meeting (today), and that these cost comparisons be audited by the Provincial Auditor under section 17 of the Audit Act.

**The Chair:** Mr Fox, the fact is that we do have a few new members around this table. Could you please give us more information, if you'd like to.

**Mr Fox:** We've been dealing with the Comsoc people in a couple of previous meetings here, and I also have a concern with this as to the fact of my riding. We're quite concerned about the idea of closing out these institutions and moving these people into group homes, for more than just the fact of removing them and putting them out into the community. We have a particular institution in my area that is a village complex and we would like to see a cost analysis done here as to what it is costing us to keep them in the institutional fashion now as compared to in the group homes. We feel that there's an extreme cost moving them out into the group homes and a cost analysis at this time would certainly give us some more indication as to what should be done here.

**Mrs Sandra Papatello (Windsor-Sandwich):** May I ask a question of the mover? In your motion, are you requesting the information within four months or for it to be tallied for a four-month period?





**Mr Fox:** No, the information within four months.

**Mrs Pupatello:** If I may continue, is that all institutionalized individuals or for a particular region or area?

**Mr Fox:** No, that's for everyone.

**Mrs Pupatello:** For Ontario?

**Mr Fox:** For Ontario.

**Mrs Pupatello:** So you'd like the costs Ontario-wide of institutionalized individuals versus individuals who are being cared for in community-service-based agencies?

**Mr Fox:** Right.

**Mrs Pupatello:** Is there a way you could narrow that? I'm thinking of the amount of work required. If you could get a sample, a subsample, say, I think you'd get the gist of the information you need without incurring the expense and volume of work by the ministry.

**Mr Fox:** The details of that I'd leave up to the Provincial Auditor, as to how he would like to go about it.

**Mr John Hastings (Etobicoke-Rexdale):** It would appear as if you'd have to have hundreds of people dealing with this subject, but it would appear to me that the Ministry of Community and Social Services ought to have in its database some overhead costs already for disadvantaged children and young adults who are in an institutionalized setting, or what the ministry defines as same. They ought to be able to take those costs and compare them to what the costs are in specific community-based agencies to which they want to move these young people and disadvantaged children. They ought to have some of those costs already.

If they don't, then I can't understand how they could be developing policy to deinstitutionalize, this whole philosophy, without a sophisticated database of costs. They ought to have some of these preliminary cost overheads to start with, and where they don't they should be able to develop them within, I would think, a month to six weeks. If you're looking at costs you would have to look at the counselling, supervision, physical overhead costs, transportation if they are taken to another agency for a specific skill they may be acquiring or for counselling purposes.

If they would want to separate that out, it would simply be on a programmatic basis of what the costs would be to have those sorts of individuals, disadvantaged children of any sort and young adults. They may have to categorize the programs down into the types of young adults or children who are sexually abused, autistic, emotionally disturbed, the folks who come from the community living context.

They ought to have some of that data already available and it ought to be on a database. I'm sure that the ministry would have some of that material, so it would require the assignment of, I would think, a limited number of people to gather that and provide that to the auditor for him and his staff to compare whether the way they're going is cost-effective or whether there are certain categories where it's cost-effective the other way.

We have been grappling with this issue for some time during the presentation that the ministry staff made, I think in late November. If one goes back and looks at the debate that went on and the questions that were raised by members of the whole committee, it was one of the primary concerns coming out of the committee. It also links back, to some extent, to the questions that have been asked in the previous fiscal year by the auditor in terms of the questions dealing with this subject.

**Mr Patten:** Being a new member to the committee, this may be an old issue. I'd like to get a comment from the auditor, if I could, in terms of the function of this motion. Would that enable you to address the intent of the member?





**Mr Erik Peters:** A number of comments, if I may: Firstly, let me just get the administrative stuff out of the way. It is perfectly within the purview of this committee to ask, under section 17 of the Audit Act, for us to perform special assignments on resolutions passed by this committee. We should do those. Our own timing is going to be fairly difficult because I have to put it in within the -- I'm allowed to put it into priorities of the office but we're going to work that in.

There are a number of difficulties with this. The original fact that we discussed at this committee was that the ministry has not funded these institutions on the basis of their actual cost but rather on percentage changes annually of the budget. You know, "This year we give you 2% more or 2% less," etc.

The main difficulty is that the ministry itself therefore has not really done cost and needs analysis of the institutions themselves, number one. Number two, the focus of government traditionally has been on input costs; in other words, how much does it cost us to provide the service? The motion itself directs itself at output cost; in other words, the cost per individual, what are we providing in output cost? That is a new slant on it and that will be interesting.

There is time given. Certainly from my office's perspective, we believe there's ultimately a cost that should be made available to members of this committee, or to the public at large; actually to the Legislative Assembly, which we serve. Ultimately, it is how we cost outputs that we should be concerned with in spending government money, as opposed to inputs, how many clerks we put into the thing. How many people are we serving, what are we providing to them and what does it cost us to provide that particular service to those people? It will be an interesting exercise.

To come back to the question, Mrs Papatello, there is a very interesting point raised here, that there are differing costs across this big province of ours, and most likely what we're going to look at is that the costing will be done in terms of ranges. In some districts you will be able to provide that the institution costs so much per individual there as opposed to others, because normally Toronto has the higher costs and some others such as Ottawa may have some high costs, but it may be a lot less expensive in Thunder Bay or in North Bay. So there may be a matter of ranges.

1020

It will be a real challenge for another reason, that very little attention has been paid by governments traditionally -- and that's not unique to Ontario, it's across the system -- of how to actually cost programs: What costs do you include, what costs do you exclude in developing a certain program cost?

There are theories, and not necessarily to go to extremes here, but there are some who say that even the minister's office should be allocated to the programs the minister does and there are others who say you should only have the direct costs of who at the bureaucracy is actually delivering the service. Where you cut off and what you include and exclude are going to be a very challenging question.

I would expect that you will have probably, I would hope, a somewhat pioneering report, in terms of reporting on these costs, with a fairly long preface, I would suspect. I'm concerned about that, of assumptions made of what we assume to be in and what we assume to be out.

I hope that this report will give you a fairly good answer on comparison. Whether it will result in a fully definitive answer, I'm somewhat concerned about that because it may go a little bit all over the map, but I think we are willing to conduct this exercise and make it as useful to this committee as it can be made.

**Mrs Papatello:** I just wonder, Mr Fox, as the mover were you intending for the survey to include children? Maybe we can specify that in your motion because it is a different set of community agencies that deal with children and youth than deal with adults. Mr Hastings's comments seemed to indicate he would look for the whole breadth. Rather than just saying "individuals," maybe you can specifically include children, youth and adults.

**Mr Fox:** Well, individuals --





**Mrs Pupatello:** That is what you intend? I guess that's the question.

**Mr Fox:** Yes, that's the intent.

**Mrs Pupatello:** Children as well.

**Mr Fox:** Everyone involved in this system.

**Mr Patten:** Just a friendly comment, Mr Fox: I would assume that the gathering of this information would also give us some descriptions related to the programs and some comment related to quality of life. You know, you could get, "Well, it costs the same, so why move anybody?" Objective financial figures might not tell you something, but if people are gathering this, there should be some comment in that report about quality of life and other factors in a different context in which the comparison is being made. That would be my only point on that.

If the assumption is correct that we're not just talking about somebody coming back and saying, "Well, it costs \$100 a day in an institution and it costs \$105 a day in the community," and we draw the conclusion that therefore we shouldn't be moving anyone out of institutions on the basis of these figures because it's too expensive, I would think that would be a wasted exercise.

**The Chair:** I think Mr Peters has an additional comment.

**Mr Peters:** If I may just make a short comment, in my reports certainly since 1993 and also before, we have commented on the fact that virtually most ministries do not effectively measure and report on the effectiveness of the program. I believe that your question of qualitative information as opposed to hard cost information gets at that point. From the way the motion is worded, and I'm not suggesting rewording, it would really widen the scope tremendously if we went into the quality issue.

One of the facts of life we're facing is that under section 12 of our act we can only report on the sufficiency or absence or presence of measures to report on the effectiveness, as opposed to in costs and efficiency we go all the way, we can audit the full scope. We're somewhat limited in the scope on effectiveness. From our perspective certainly we would encourage them to comment on this, but whether we can validate it, from the perspective of my office -- how valid that information is will be really up to the members of this committee more than my office.

**Mrs Pupatello:** I think we're just going to say that based on those comments, we'd be prepared to second this motion.

**The Chair:** It doesn't require a seconder. Let's take the vote. May I suggest that maybe once we get the report back from Mr Peters, then if you would like to go into the quality of services and so on and so forth, we can do so at that time.

**Mr Fox:** Exactly.

**The Chair:** On the motion as it has been read: For? Against? Carried. We'll now go into closed session.

*The committee continued in closed session from 1027 to 1106.*

## 1996 ANNUAL REPORT, PROVINCIAL AUDITOR

### MINISTRY OF HEALTH

**The Chair:** We must apologize for our tardiness. We're more than eight minutes late. I want to welcome you to the committee and I would ask you to please identify yourself for the purposes of Hansard.

**Ms Margaret Mottershead:** I'm Margaret Mottershead, the Deputy Minister of Health.





**Ms Mary Catherine Lindberg:** Mary Catherine Lindberg, assistant deputy minister of health insurance and related programs.

**Ms Linda Tennant:** I'm Linda Tennant. I'm director of the drug programs branch.

**Ms Mottershead:** I would like first of all, Mr Chairman and members of the committee, to say how pleased I am to appear before you today to discuss the most recent Provincial Auditor's report and how it fits in with the Ministry of Health's efforts to create the best health care system possible for the people of this province. After my remarks the assistant deputy minister, with your indulgence and if you wish, would like to provide a brief overview of the drug program so that there is a context for the questions you might have, and also with her, Ms Linda Tennant will be happy to answer any questions the committee has about our response to the specific recommendations from the Provincial Auditor.

I'd like to begin my remarks by trying to provide some overall perspective on the ministry's activities and current direction. I wish to begin by quoting the ministry's business plan:

"We are searching for new solutions and new directions and have made changes at the top, including redefining the role of the Ministry of Health. Our new direction will result in seamless and accountable health care for Ontarians, integrating assessment, diagnosis, treatment, care, illness prevention and health promotion."

Another way to state our objective is to say that the ministry is working to ensure that the people of Ontario continue to have a high-quality health care system. To sustain the quality of that system it has to change to meet the evolving needs of the population. In our vision of health care, the patient always comes first. We want to ensure that health dollars are not lost to duplication, waste or excessive administration and that the highest quality of care is routinely accessible in every part of the province. We see opportunities for improvement because the providers and patients have pointed to areas that are perhaps inefficient and in some cases cumbersome.

We also value the input of our internal audit process and the recommendations of the Provincial Auditor. These sources of expertise are important parts of our management control processes. As our goal is quality patient care through the most effective use of resources, the Provincial Auditor plays a vital role in helping us to obtain value for our money and ensuring that our administrative activities are effective.

The audit function is a necessary evaluation of the effectiveness of controls on our programs. Specifically it assures us that existing controls are satisfactory or that improvements are needed. It also helps us to identify actual or potential control problems. A crucial function is also to help us identify changes that will improve the management, human resources, information systems and controls on our program.

To return for a moment to our business plan, it emphasizes in a very serious way the issue of accountability. Of course the Provincial Auditor is also very interested in accountability and value for money. Therefore, we welcome the auditor's recommendations as a way for us to achieve our goal of greater accountability. As explained in the ministry's business plan, we want to move from processing paper to being information managers. Part of that greater management function is precisely to be able to judge whether the ministry is administering its programs effectively and if we have adequate management tools.

The auditor's report has evaluated our programs using these criteria and has made many helpful recommendations to us to improve the way we manage our programs. Many of the auditor's comments deal with our use of information and how effective we are at managing the information we have to run programs effectively.

Again, I would like to refer back to our business plan. Under the heading of "Performance and Accountability Measurements," it says:

"The responsibility that comes with protected funding is significant and the Ministry of Health is serious about accountability of both financial measures and patient outcomes. In every sector, targets and





benchmarks will be used and the best clinical data and cost-effective strategies will be employed. Results-based performance measures will determine the effectiveness of each core program and service.

"The ministry's new approach to information retrieval and management is the key to accountability. Continuously monitoring and evaluating patient outcomes, partnerships with providers, financial compliance and access to care makes it possible to identify pressures and to make adjustments. Reallocations and realignment within a defined budget ensures that resources go to where they are needed the most."

I would like now to take some time to discuss the Provincial Auditor's recommendations with respect to the Ontario drug benefit plan. The auditor made recommendations suggesting that the ministry needs to continue its efforts to monitor, assess and report on the effectiveness of the program. The auditor recommended the creation of a drug use review program to address inappropriate prescribing. It was noted that the ministry also needs to regularly review the drugs covered, examine alternate drug products and add new drugs in a more timely way, compare Ontario's prices with those paid in other jurisdictions, ensure that limited-use products are being used only by those meeting the eligibility criteria, and improve our inspection function.

Regarding the recommendation to create a drug use program, the ministry continues its work with the Ontario Pharmacists' Association to institute drug utilization reviews.

With respect to reviewing the products on our approved list, the expert external committee, the Drug Quality and Therapeutics Committee, has this task as part of its mandate. Recently, pharmaco-economic guidelines were developed to help guide the DQTC in selecting which products to include or remove.

We recognize the need to include cost-saving products more quickly, and changes included in the ministry's most recent red tape legislation will shorten approval time and allow us to include cost-saving products more quickly.

Regarding obtaining price information from other jurisdictions, the ministry is doing this as recommended by the auditor. We are also producing updated versions of our approved list of products more frequently in order to incorporate price reductions.

The auditor raised a valid point with respect to our management of limited-use products, so we have changed our criteria. There are now no exceptions to the criteria in order to receive the products.

Regarding inspections of pharmacies, the ministry is developing the pharmaceutical audit system to identify agencies to be audited. The ministry will also become more systematic by creating an annual inspection plan and standard tests for each inspection.

The Provincial Auditor did make significant recommendations. On behalf of the ministry, I would like to thank him and his staff for those recommendations. I believe we have been successful in making improvements in all the programs that were audited. That effort is a testimony to the value and respect we have for the auditor and this kind of accountability framework.

I would like now to turn to the assistant deputy minister for health insurance and related programs, Mary Catherine Lindberg, who will provide you with a brief overview and description of the Ontario drug benefit program eligibility, how it works, so that you have the context for the proceedings this morning.

**Ms Lindberg:** We have three drug programs in the Ministry of Health. There is the Ontario drug benefit program, which began in 1974 with eligibility tied to low-income seniors and to those individuals on social assistance. In 1975 it was extended to all seniors, regardless of income.

The drugs that we pay for and are covered are in a book called the Drug Benefit Formulary, which is this large book here that talks about all the drugs we pay for. The determination of which drugs go in there is by an external expert committee called the Drug Quality and Therapeutics Committee. The drug program provides coverage currently for about 1.4 million people over 65, about one million social assistance recipients, 54,000 home care recipients, about 2,300 homes for special care, about 68,000





residents of long-term-care facilities, and there's about 22,000 recipients on the Trillium drug plan.

Just for your further information, there are about 2,500 general listings for drugs in the formulary, 132 what we call limited-use drug products, where a prescriber must fill out a form to indicate what condition they will use this particular drug for, and then we have another section, called section 8, which is the section of the legislation that gives a physician the ability to do individual requests upon application. The Drug Quality and Therapeutics Committee reviews those applications and decides whether they will be paid for or not. There are 56 nutritional products, 16 diagnostic testing agents in the book, and we also pay for allergenic extracts.

The Drug Quality and Therapeutics Committee is an external expert advisory committee chaired by Dr Malcolm Moore, who is an oncologist at Princess Margaret Hospital. They evaluate and provide recommendations for all drug submissions from the manufacturers. No drug can be included in the formulary unless there is a submission made by a manufacturer and they meet certain criteria. They use two criteria to make a determination. One is pharmaco-economic guidelines, which gives them the ability to rate a drug against cost and benefit, as well as clinical criteria and manufacturers' standards. It provides advice to the ministry and the minister and it's a model that's used by most provincial governments across Canada to determine what drugs will be paid for by their provincial drug plans.

The current programs, all the programs, cost us about \$1.2 billion. That includes both health and Comsoc for ODB, it includes the Trillium drug program and the special drug programs. For your information, that's broken down to about \$900 million being spent on the cost of drugs. A third of that money is spent on the top 10 drugs listed in the book, which are mostly drugs used by senior citizens and include mostly heart and anti-ulcer drugs. We only spend about \$72 million on drugs for special or limited use, and on the section 8s, where you have to actually apply for a drug to be paid for, we only spend \$5 million, except they are the most costly drugs.

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We have a number of new drugs that are going to be coming on the market that will be costing this program a great deal of money. There are about four new AIDS drugs that if put on the formulary will cost about \$5,000 per patient per year. There is a new multiple sclerosis drug that will come out that will cost about \$12,000 per patient per year, and there are about 2,000 patients that would qualify for that, so it would be \$24 million. This is the kind of thing we have to look at and evaluate, and the Drug Quality and Therapeutics Committee is the committee that looks at those particular drugs.

In order for us to operate the drug benefit program and the Trillium drug program more efficiently, we have developed a health network called the HealthNet, which is an online network in partnership with Green Shield. It does online claim adjudication for about 2,500 pharmacies. We're processing approximately 750,000 claims a week and it's the largest online system outside of Interac in the province.

The thing, though, that makes the health network very special for us and does help us manage this program is not that it pays claims on time or it determines eligibility. What it does is give us what we call prospective drug utilization reviews. It gives pharmacists messages about the patient's drugs and what they are receiving. Currently, in the last two years, we've had eight million drug-to-drug interaction messages given to pharmacists. These eight million prevent serious interactions between drugs. If the person had got one drug in one pharmacy and another drug in another pharmacy, there could be a serious interaction, and this network has given pharmacists the capability of understanding that they should not dispense it.

We've also had about 27,000 cases of duplicate prescriptions, which means that the same drug for the same claim on the same day has been prevented, and about 275,000 double-doctoring. A number of senior citizens, and you will hear this a number of times, go to more than one doctor because they have multiple conditions that need to be looked after, so they go to a GP, a specialist. What this system does is prevent a patient from getting the same drug or the same class of drugs from two different doctors on the same day or within the same week. This prospective drug utilization review has been one of the best things that's happened for us with senior citizens and helps us to make sure they are getting better value





and better care within the province.

The other element with the senior citizens is that there have been claims that there have been a number of drugs dispensed and a lot of wastage. We moved in December 1995 to reduce the supply that could be given to anybody on the drug benefit program from a 250-day to a 100-day limit for all ODB recipients. This change prevents stockpiling and also prevents potential waste, so that a senior, when he or she gets a prescription, doesn't have a 250-day supply, take a week and then doesn't know what to do with the rest of it, because it can't go back to the pharmacy.

As you're aware, we've introduced a copayment charge for the drug benefit program. It became effective on July 15, 1996. We were the last province to put in a copayment and we also still have the most generous of copayment policies for both seniors and other people. The income levels come from the federal levels of the guaranteed income supplement. Those people, under \$16,018 for singles or \$24,175 for couples, pay \$2 per prescription. Those people over those incomes pay a \$100 deductible and then the dispensing fee. The maximum dispensing fee that can be charged is \$6.11 but a number of pharmacies charge less than \$6.11. There are about 450,000 people in the lower-income bracket and about 962,000 in the higher-income bracket.

There are currently 7,000 people a month who receive letters from the Ministry of Health two months prior to their 65th birthday that requires them to be eligible for the ODB program. These people are automatically put into the \$100-deductible category and are told to apply for an application for the lower deductible, which is then being processed within 24 to 48 hours. Therefore, those people receiving their applications or their letters, if they put an application in, will be qualified for the lower income prior to their 65th birthday, which is when they become eligible for the ODB.

One of the major success factors we've had in the development of this program and in being able to continue to make benefits is the development of prescribing guidelines. We currently have three sets. One is an anti-infective guideline, one is on uncomplicated hypertension and one is on congestive heart failure. We have five more coming in 1997.

This provides two very important components to a prescriber. It becomes an education tool to allow physicians to know which drug to prescribe at what point. It also tells them about the cost of the drug so that it gives them an opportunity to prescribe a lower-cost drug. We've been told that the young doctors in training carry these guidelines around with them in their pocket, mainly because they're very helpful, and also when they give a diagnosis, what drug to use. Besides that, it also allows us over time to look at the prescribing patterns of physicians and to work with the physicians to develop different ways of prescribing so that we don't see huge variations in prescribing across the province.

We'd like to spend one second telling you about a local initiative that's been going on in Port Perry. It has been led by a local doctor who sat on the panel to develop the anti-infective guidelines. He's taken on the initiative to have town hall meetings and to work with all the other providers -- pharmacists, doctors, manufacturers -- and with the community to explain why guidelines are important, and how and when anti-infectives should be used and when they should not be used.

He's got grade 7s using these guidelines for a science fair, he's got grade 11s writing essay contests, and he has the home and school working with the children. The whole community has actually been rallied around to promote the effective use of guidelines, which is one of the ways of getting people to start thinking about how to use guidelines and how to use anti-infectives more appropriately.

For your information, 115 manufacturers have products in the formulary and one of their major concerns has been that it takes too long for us to get a product listed in the formulary. In the last two years we have been working very diligently to try to eliminate some of the submission requirements to get a drug listed. Last year, in March 1996, we harmonized with Health Canada to make sure that the kinds of criteria Health Canada were using were identical to ours so that they did not have to duplicate their submission requirements.

Previously there were 20 submission requirements or regulations that manufacturers had to comply with. We moved those down to about 11 or 12. In this last year, just now in February 1997, we've moved





those to six so we are able to facilitate the addition of new products faster into the formulary. For your information, in 1994 we listed 98 new products, in 1995 we listed 132, and in 1996 we listed 269 new products.

We're also working with the federal government and the other provincial governments to develop a number of core requirements so that across Canada we have the same requirements for submissions of drugs.

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The other program I'd like to spend a few seconds on is the Trillium drug program. This is a universal drug program for people who have unmanageable drug costs relative to their income. It's a family-based program, so if an individual has high costs within the family and meets the deductible, the full family becomes eligible.

It's a yearly upfront deductible based approximately on 4% of your net income. It's based on the family net income and all members of the family become eligible. There is no upper limit on the income or deductibles that this program will cover. You have to apply every year and pay your deductible each year.

Once eligibility is established, all eligible members of the family receive the ODB benefits. You can use any Ontario pharmacy. As long as you take in your health card, the eligibility will be on the network and you pay, after your deductible, \$2 for each prescription.

Applicants must disclose the following information: details about their family unit, their family income, and coverage and benefits received from a private insurer. We currently have about 255,000 people.

The Trillium drug program has an interesting age profile as it covers mostly people between the ages of 50 and 65. Those people have an income level of about \$10,000 to \$20,000. Those are usually the people who have some kind of catastrophic illness and have not got an employer or an employee plan that'll look after them.

That concludes my update on what's going on in the drug program.

**The Chair:** Thank you. Next on our agenda is Ms Linda Tennant.

**Ms Tennant:** Actually, no, I have nothing to add to the presentation.

**The Chair:** So we have about 26 or 27 minutes and we'll try and split the time. I made a deal with Mr Hastings that he would be first on the list, so we'll start with the Conservative caucus and then we'll move to the Liberals and the NDP. You have six or seven minutes.

**Mr Hastings:** I'd like to thank members of the Ministry of Health for coming before the public accounts committee today. I have several questions and I think you'll probably have to take some of them back with you to get some answers.

The first one I'd like to refer to is that the auditor has suggested that the Ontario Drug Benefit Act requires a change in legislation, or could it be done by regulation, to ensure that there is an additional number of years beyond the two-year retention for data that dispensing organizations have to keep for ministry inspection? That would be my first question to Ms Mottershead.

My second question relates to the whole role of the Drug Quality and Therapeutics Committee. I have had conversations through the Red Tape Review Commission and with the manufacturers, both generic and pharmaceutical, as to the long, grinding, detailed, bureaucratic, non-customer-friendly culture that they find in the Drug Quality and Therapeutics Committee and in the branch of your ministry that deals with the subject matter.

I would like to know whether you are looking at a clearer role for this group in terms of the drug





approval process for getting drugs to market before you displace others, and do generics have to have the same sort of submissions for approval as the pharmaceuticals do?

It's good to hear that you have reduced the amount of time in terms of the submissions down from 20 to six.

I guess my last question would relate to how we are gathering data, unless it's through the health network, to ensure that our seniors are getting the drugs they require but do not end up becoming -- I've seen at least three examples in my constituency office of the number of drugs they had to cancel out the side-effects of one or another, in one case up to 12 different prescriptions they had. I asked them if they really required all these drugs and one gentleman said he was sure that at least three of the 12, from his own experience, that he'd been taking for at least two years weren't required. He said, "I feel like I'm a walking drugstore in terms of all the drugs I'm on." He had diabetes, high blood pressure, that sort of condition.

I guess those are my major concerns in terms of how we are spending our money in the program.

I think the auditor also brought up a very good point, and we have dealt with it with other agencies through the retail sales tax branch, of collecting money, the leakage that goes on in flea markets and small retail operations where we were concentrating on whether you should send PST inspectors in to see whether they're paying the PST.

I find a very interesting comparison with that situation with the four inspectors you have who are going in. I think my colleague from Lambton, Mr Beaubien, referenced this earlier before you arrived. We have inspectors concentrating on detailed situations from some fraud or alleged fraud and yet the amount of money collected back would probably pay maybe two of those inspectors' salaries for a year and a half.

In other words, the whole question of staff resources: Has the data collection you're getting in this program got benchmarks or some way on the computer software that you can see abnormal changes in the types of dispensing organizations?

Those are my major questions.

**Ms Mottershead:** I'll try and answer your questions and would ask the assistant deputy minister to also contribute.

I'll start with a response to your comments about the DQTC. What we have undertaken over the last couple of months and are close to bringing to conclusion is a sunset review of the committee. We have a team of people who are looking at the terms of reference, how the work is carried out and whether there will be recommendations to government to continue with that particular organization.

I should just mention, though, that in every province in this country there is an expert organization that has been put together to provide the kind of expertise that governments should have in making a determination on whether or not they will pay for a drug or list it in the first place.

I want to just emphasize that the very first objective of the DQTC is, and has always got to be, the quality of care, and the role that pharmaceuticals play in that quality of care is paramount.

The second consideration is cost-effectiveness of the drugs they're going to be recommending for listings, and that is a component to make sure that we do get value and we do get good outcomes for the drugs that are listed.

I think it would be irresponsible to have a group of drug companies making the direct determination that as soon as their drug is given approval, a notice of compliance, they automatically put the drug on the formulary. In our representations to the red tape commission, we tried to highlight and flag the distinction between quality of care and the role of pharmaceuticals versus having pharmaceutical companies having a direct role.





I'm not surprised that you've been hearing some of these comments being made. The red tape initiative was intended to eliminate red tape, and to the extent that we could balance the need to have quality and the need to have cost-effectiveness and a streamlined process, we have done that by streamlining the submission process, and the assistant deputy minister indicated that we've gone from about 12 to six. We have streamlined that process very carefully and in as balanced a way as possible. We will, again, have final recommendations from our committee looking at the DQTC.

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With respect to the drug network, it does in fact flag for the pharmacists who are actually dispensing products whether or not they are appropriate products for the diagnosis. It does look at other drugs that have been dispensed for the individual. Don't forget, it will have on the network the history of what drugs have been dispensed, so it's not just weekly, just-in-time information that's received but there's also the history of other drugs that have been dispensed to the patient.

I'm making a huge assumption here, and that is that the best people who have knowledge of what is required medically and what kind of drugs are to be used are the physicians. Quite often individuals tend to some self-diagnosis or try and guess that they may not need to take these many drugs or at this particular time. There are some areas where self-responsibility is important but trying to second-guess a physician as to whether you should be taking the drugs I think can sometimes get risky.

If anyone is in doubt, my suggestion to your constituents and others would be, if you are in doubt about the number of drugs you are taking, you're worried about the kind of effect they would have with respect to another three or four drugs that you're taking the same day or week, you should have that conversation with the doctor. We have to take a more proactive role in questioning: "Why do I need this? When I'm taking these other things, what is it going to do?" Let's try and understand the impact so that you know exactly what those drugs are intended to do and take a lot more responsibility for being educated about that and see the family practitioner or physician and get some answers directly from the people who have prescribed this medication.

**The Chair:** We must move along if I want to be fair to the rest of the members of the committee, so Mr Shea, you can blame your colleague for taking up your time. The Liberal members have seven minutes.

**Mr Patten:** Good morning. I have three questions, two quick ones so I'll start there first, and it relates to the comments you've just been making. My question would be: In light of the importance of the selection of drugs that would be placed on the formulary, with the concern about quality of care being number one, and then of course there's some relationship to costs, I wonder how you square sometimes, "This may be the best drug but it's too expensive," how that kind of decision might be made by such-and-such a committee?

The second one is whether you have any discussions with the OMA in terms of the physicians, mainly psychiatrists, and the follow-up that I believe they should be doing. I'm not saying this for all psychiatrists but I get so many representations and see so many experiences -- not me personally but personal experiences with friends and some with family -- where there is absolutely no follow-up at all by a psychiatrist after prescribing some kind of a cocktail for usage. It has to be an intervention by family or friends to be able to get that person back because it's not working. I want to ask you whether there is that kind of entrée or opportunity to talk with the OMA in terms of the protocol of follow-up, especially by psychiatrists, in terms of drug use and the impacts on patients.

**Ms Mottershead:** Yes. The DQTC's first priority is to make sure that quality care is available through the kind of pharmaceuticals that will be coming on stream.

With respect to balancing the cost issue, if there is a really high-cost drug and it is necessary for certain types of indications and it is really important, the cost issue is secondary or almost non-existent. If it's a necessary drug for certain conditions and its therapeutic value is undisputed, then it will be recommended to be put on the ODB, so that's not an issue they have to deal with.





With respect to your question around the OMA and the issue of psychiatry, there are some pretty specific clinical guidelines that go along with some of the drugs that are on the formulary or on the special drug program, section 8s and so on. One example that I give, and Mary Catherine can answer others, is the drug called clozapine or clorazyl, depending on what people are familiar with. It does require follow-up and there is follow-up. It's for schizophrenia. In that particular case, some of the detailing on that drug requires that there are blood tests that get taken every so often because of certain kinds of side-effects, so there is a mandatory follow-up requirement. Mary Catherine?

**Ms Lindberg:** The other thing is, to follow up on your psychiatry and prescribing of drugs, we have some guidelines being developed on mood and anxiety disorders. The other one is that we have some guidelines being developed for primary care physicians and use of psychiatric drugs to ensure there is not the kind of use of that kind of drug inappropriately. Those two guidelines will be coming out probably some time in 1997.

**Mr Patten:** My last area that's a big area -- and I would share this information with you, if you like, if you have not already received it, and I would also like to share it with the committee and the auditor. I had representations from a number of organizations that have a concern related to the Trillium drug program, where they feel that there are financial barriers to access. These organizations felt that the intent of the program was a good one and a needed one but a lot of aspects made it inaccessible or difficult to follow through and in some cases they were citing examples of encouraging people to actually go on welfare in order to qualify because they could not afford the kinds of drugs that they would have to pay for in terms of their particular portion.

They also had some suggestions related to the procedures: the deductibility, the procedures of how this is done. It takes so long that they cite, and I don't know where they got these figures, that 70% of Trillium applicants experience gaps in their medication. They say this is dangerous because in many cases there's a cumulative effect of their drug cocktail and if people start to choose and pick out things because they can't afford what's going on when they have to carry the costs between applications, it causes severe problems.

I haven't got time to go into all the details of that. I'd like to share this paper with you and get some reaction, and also to the auditor. But in essence what they're saying is to examine the deductibility for low-income earners, people on welfare; for others, look at spreading the payments in terms of considering the granting of interim approvals of applications; and to consider that some people are on long-term disabilities that are incurable at this stage, and while there needs to be verification, the reapplication process is burdensome and costly to the individual. I wonder if you have an initial response to that.

**Ms Mottershead:** Let me just start by saying that the Trillium drug program, which was introduced by the previous government and modified by the current government by adding another 140,000 people on the eligibility criteria, is the most universal program that any province has in this country. It is the most cost-effective for the patient of any comprehensive drug program in the country. We've got information and comparisons to share with you if you wish.

We have started a process of looking at minimizing the burden on those who have to accumulate so much expense towards their deductible before they become eligible. With respect to the suggestion around the reapplication, we are instituting a process that starts next week that basically will automatically re-register people so they don't have to go through the reapplication process, and that takes away a bit of the burden of going through that. There are some other initiatives under way that we are considering to make it as easy as possible for the individuals on the program. We'd be happy to receive the comments you have, Mr Patten, and look at those as part of our continuous administrative improvements in this area.

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**The Chair:** Mr Patten, if I may suggest, if you could share this paper with the clerk, maybe the members of this committee would be interested in following up on your findings.





**Ms Shelley Martel (Sudbury East):** I want to focus on the new user fees that the Conservatives have put in for drugs for seniors. I want to focus on the period in July when literally overnight you had hundreds of thousands of seniors who went into their pharmacies and found that they had been put into the higher-income category when in fact they should have been in the lower one and were then forced to make decisions about whether or not they could pay and whether or not arrangements could be made with the pharmacists and then wait for compensation. Specifically, I'd like to ask you, first of all, how many seniors were improperly classified when this program kicked off in July?

**Ms Mottershead:** I'll ask Linda Tennant to answer that question. She's got the statistics.

**Ms Tennant:** We did have some startup problems. With about 50% of the applications that we received in the first six to eight weeks people were already in the lower category. Unfortunately, regardless of how well we tried to publicize the program, there appeared to be a lack of understanding. A number of people -- 50%, as I say -- thought they actually had to fill in the form regardless. In the first six to eight weeks 50% of the people who sent us forms were already in the lower category.

Since late June we've received something like 95,000 applications for the lower category and about 85,000 have been put into the lower category. But that includes the seniors who were already 65 on July 15 and the approximately 7,000 to 9,000 seniors who turn 65 each month in the province.

**Ms Martel:** Can you tell me how many extra staff were hired on in July to try and deal with the applications that were coming in? We were talking to people who were working shifts that night. I'd be curious as to actually all of the costs, the staff costs, the phone line, the fax lines that were put in so that we could fax special requests or the pharmacies could fax special emergency requests. Can you also tell me then how many of those staff might currently be in place or have they been let go, and is it the ministry staff who were already in place who are now dealing with the program?

**Ms Tennant:** I don't have the data on the staff with me now. We did gear up in the initial stages because we knew there would be startup demand. The idea of running shifts was to facilitate the computer processing because there is a limit on the volume that the equipment could hold. That has all been stabilized as of September. We were able to process on a daily basis applications received within 24 to 48 hours. We've cut down on everything, including the time on the telephones, because the volume is so substantially reduced. But I can certainly produce the data.

**Ms Martel:** If you could, I would appreciate that. Then I'd have to ask you two other related questions. How many people would be left from the group in July and August who received compensation? I ask that question because I hear you telling me now that these are being processed within 24 to 48 hours, except that one of the first constituents we had in July was improperly classified. Both he and his wife were on the phone to me yet again last week, saying he still hasn't received his reimbursement.

I'd be interested in knowing, first of all, how much you had to reimburse people, because so many people found themselves in the wrong category overnight. Is that compensation now taken care of or are you still processing claims that go back to July and August? Because certainly his does, both his and his wife's.

**Ms Tennant:** We will be completely up to date by next week or the end of this week. The remaining outstanding accounts, the refunds that haven't been processed, haven't been finalized due to lack of information. We've had some difficulties with some receipts, making sure that the information we require was provided or available. We've also had situations where we've had duplicate receipts. The only cases that remain outstanding -- and I'm certainly not questioning you that we have some that are six months old, but all of those people have been contacted, and likely have been contacted more than once. We are trying to clear them up.

**Ms Martel:** In his case, it hasn't been like that. We did the work through our office just to be sure we had it right, because they don't speak English very well as a first language. My staff were contacting the program again last week.

I'd be curious to also receive any information about how much compensation then had to be paid out to





people who had to initially go in and pay up front because they were in the wrong category and what the balance is that is left.

Frankly, I'm also very curious as to why the decision was made -- and I don't know if it was a political or a bureaucratic one -- to automatically classify people into the higher-income category and then force them to send in the information which proves they're in the lower category. The reason I raise this is because that affected a number of people in my riding quite dramatically, people who walked away from the counter and didn't buy their drugs, who came to our office and then we had to negotiate some arrangements with the pharmacist to set up billing statements etc.

There was a mechanism that the ministry already had in place, which I found surprising that it didn't use. Pharmacists in our riding told us that previous to the introduction of this program they could, for family benefits clients, override the ministry computers just on the basis of a call from FBA saying that person now qualified and so would get a drug card and then would not have to pay a prescription fee.

I raised this with the former minister early in August to ask why the ministry would not look at this same provision, because even though you are now mailing people information two months before and asking them to get ready, there are a lot of seniors who don't read that well, who don't understand what they're supposed to send in, who do have some kind of relationship of trust with their pharmacist and who, if they brought in their tax information to the pharmacist, that pharmacist could then override the ministry's computers, send in the relevant information, and it would probably cost the ministry less in terms of having to reimburse people later on.

I wrote to him, and I don't blame the deputy for the political response that was written back, but I think it's still worthwhile looking at it. For the life of me, I can't understand why people are still being classified automatically into a higher income tax bracket. If you're getting the names of the 7,000 people who are going to be told what they're supposed to do, surely there's got to be a way you can reference that with the tax files with the feds and make the changes yourselves without them having to send that information to you at a later date. Is that not possible?

**Ms Mottershead:** We did have that question and response, as I recall, during the ministry's estimates, as well as the written letter. But I guess one has to look at whether or not that's a global policy that needs to be implemented and how effective it is to deal with on an individual basis. Our concerns stem from having people give their personal information -- I mean, income information is a personal thing that is covered under the privacy laws. I understand that some individuals are quite comfortable in disclosing that information, but you can't work through the exception process.

How do you set up an override? How do you know it's legitimate? How do you know all of those questions? Having the data confirmed through one source, the Revenue Canada information, which is aggregated and not disclosed other than that you're over or under, we felt is the best way of protecting individual privacy. That's why that information is only available that way and received that way.

**Ms Martel:** But a pharmacist would have been able to do that on the basis of either an individual coming in and saying, "I have just qualified for FBA," or the pharmacist could have called the social services department to confirm that person was now on family benefits and at that point would have been able to override the ministry computer and provide prescriptions for an FBA client. I don't see what the difference is unless there's something about this process that has somehow changed recently.

**Ms Mottershead:** You're talking about two categories. The FBA category does have some seniors in it and you're also talking about the seniors' category. Are you suggesting that the program somehow be split so that if you're an FBA --

**Ms Martel:** No, no, I'm suggesting that the same override provision that used to be in effect for FBA clients could have been looked at and should be looked at for seniors who are trying to be reclassified into the proper category so that they don't find themselves in the position of having to send information in and make a payment up front. Before the program changed, before July, a pharmacist in the province could, when a person had just received permission to be on FBA, override the ministry computer and provide medication to that client without that client having a card in front of them etc. They could do





that on the basis of a phone call to the social services department.

Why is that same mechanism not used in the case of seniors? Because the reality is, what is happening is, and I know it in our pharmacy, all of those seniors ended up bringing all their forms to the pharmacist to have the pharmacist help fill them out because they didn't know how to fill the forms out. The pharmacist was seeing their tax information anyway; he or she really was. They either came to us or they went to their pharmacist to do it, because the forms were available in the drugstore.

**The Chair:** Thirty seconds. We are being called for a vote.

**Ms Lindberg:** The difficulty we have is that we don't have the income information, so there's nobody to call for the income information. The other thing is that senior citizens have complained totally to us that we should not have that kind of information, nor should the pharmacist have that kind of information available. The onus is upon the person to disclose their information. The privacy commissioner does not want us to be involved in having that kind of information. So we do not have income information on senior citizens on file. We have the birth date, because that's on their health card application, but we do not have any kind of income information.

**The Chair:** I'd like to thank our witnesses this morning. This committee stands adjourned until February 6.

*The committee adjourned at 1202.*

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### Calendar

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## **Standing committee on public accounts**





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## Legislative Assembly of Ontario

First Session, 36th Parliament

## Assemblée législative de l'Ontario

Première session, 36<sup>e</sup> législature

# Official Report of Debates (Hansard)

Thursday 6 February 1997

# Journal des débats (Hansard)

Jeudi 6 février 1997

## Standing committee on public accounts

1996 annual report,  
Provincial Auditor

## Comité permanent des comptes publics

Rapport annuel 1996  
Vérificateur provincial

Chair: Bernard Grandmaître  
Clerk: Donna Bryce

Président : Bernard Grandmaître  
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## LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON  
PUBLIC ACCOUNTS

Thursday 6 February 1997

## ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

COMITÉ PERMANENT DES  
COMPTES PUBLICS

Jeudi 6 février 1997

*The committee met at 1003 in Room 228.*1996 ANNUAL REPORT, PROVINCIAL AUDITOR  
MINISTRY OF HEALTH

**The Chair (Mr Bernard Grandmaître):** This morning we are still considering section 3.13 of the 1996 annual report and we still have the same three witnesses from the Ministry of Health: Margaret Mottershead, deputy minister; Mary Catherine Lindberg, assistant deputy minister, health insurance and related programs; and Linda Tennant, director of drug programs branch.

Witnesses, welcome this morning. Will the deputy minister take the stand.

**Ms Margaret Mottershead:** I'll take the stand and we're available to answer questions. We don't have any further presentations but we're interested in knowing whether the committee members have any need for information, if there are any specific areas you'd want us to look at in terms of making a formal presentation for purposes of this discussion and others that we're going to have over the next couple of weeks.

**The Chair:** Very good. This morning we'll start with the PC caucus.

**Mr Derwyn Shea (High Park-Swansea):** Thank you very much, Chairman. How much time do we have?

**The Chair:** Ten minutes each.

**Mr Shea:** And then we keep going around in rotation?

**The Chair:** Yes, as long as necessary.

**Mr Shea:** All right. That's just grand.

I appreciated the presentation by the deputy minister and the staff. I found it a very helpful and optimistic one. There were clearly a number of responses by the ministry to the auditor's report which give me some hope, but there are some questions I would like to ask.

Can I focus on the issue of the formulary? I have a different profession, so you have your formulary and I have mine. Can I talk about that for a moment? As I understand it, it is currently a printed vehicle.

**Ms Mottershead:** Yes.

**Mr Shea:** And it is printed with what frequency?

**Ms Mottershead:** Depending on how many additions we have, or changes to the formulary, we normally have changes two or three times a year. Mary Catherine has with her a copy of what the formulary actually looks like.

**Mr Shea:** For purposes of the record, that's about two inches thick and so forth, and that would be reprinted about twice a year?

**Ms Mary Catherine Lindberg:** Just pages.

**Mr Shea:** The pages are printed and changed. Can I ask if there's a reason why you continue with the print, with this vehicle, as opposed to focusing more and more on online?

**Ms Lindberg:** We actually do this because this is a regulation, and we do it loose-leaf so we only have to print pages, but we are also thinking about putting it on a CD-ROM or online. It is online, actually, in the dispensaries. The pharmacists have all this information through the health network because they enter the DIN number, which is the number here, and then they know whether that drug is covered or not. So it is actually online in pharmacies; it's just not online for physicians who need to use it to prescribe from, or for other professionals who would need to use it.

**Mr Shea:** But you have an intention of addressing that part as well?

**Ms Lindberg:** Yes.

**Mr Shea:** In what time frame?

**Ms Lindberg:** Once we get the technology into the doctors' offices, putting this network into doctors' offices, which will take us a few years. There are 20,000 of them and there are only 2,000 pharmacists.

**Mr Shea:** Who will be paying for that? The physicians?

**Ms Lindberg:** It will probably be shared. We will do part of the network and they will pay for the work in their offices.

**Mr Shea:** Has there been any work done on a proposal in that regard?

**Ms Lindberg:** Yes. We're looking at primary care models and some of the primary care pilots. One of the first things we'll do is put this health network into the doctors' offices in those pilot projects.

**Mr Shea:** But the pilot project has been written up, which includes the expansion of the system across the province into every physician's office?

**Ms Lindberg:** Eventually, yes.

**Mr Shea:** So you have done that and that has received government approval.

**Ms Mottershead:** We're going forward with that proposal to cabinet shortly. That is a plan that we have, starting with primary care reform: to link physicians to each other in a particular catchment area. It's to put on to the network that we have the drug formulary and perhaps prescribing clinical guidelines to physicians, as well as linking to laboratories as the next step, because we want to see how many tests are done for individuals where there might be duplication or sensitivity around that. It is a proposal. I want to be clear that it has not yet had government approval.

**Mr Shea:** Fair enough. I appreciate that clarification. That's clearer for me to understand. I'm appreciative also that you're pushing the horizon and trying to find new ways of involving people. Can I assume from your response as well that it is the intention, Deputy Minister,



to involve the pharmacists of this province in whatever that final proposal might well be?

**Ms Mottershead:** Yes.

**Mr Shea:** And the physicians?

**Ms Mottershead:** Yes, it is. We have already had many discussions with a number of the stakeholders around the technology component. There's a group coming together quite frequently to have a look at where we're going and the incremental approach we're recommending so that we can say to government when it comes to have the decision made what the issues are from those stakeholders, including pharmacists, and also what their recommended approach would be to doing this project.

1010

**Mr Shea:** I know the minister has spoken about the possibility of introducing a 1-800 line where people could call for health information. I presume this means the general community, not just those involved in the caring professions. Do you see that not only emerging, but emerging in the immediate future?

**Ms Mottershead:** We think consumer education is an important component of individual responsibility with health care and the health care system. At the moment the 1-800 number proposal — and it's just a proposal at the moment; it doesn't have government approval at this point — is to include it as part of the primary care model so that there would be services available to everyone on a 24-hour basis. It is also our recommendation to government that the 1-800 line be used for information around drugs, that if people are concerned about the colour of this tablet versus that and, "Which one I should take?" that also be made available.

**Mr Shea:** So it would be less, "I have an ache and pain. What should I do?" That's not what you're talking about. It's a matter of, "What is this particular drug?" or "What is this I have in my hand?" As you put it, it's an education vehicle as opposed to a prescriptive vehicle.

**Ms Mottershead:** That's correct.

**Mr Shea:** That's fair enough. Can I just go back to the formulary for a moment? The DQTC — I'm still trying to get familiar with all of these terms, but as I understand it, the federal government does the initial review of drugs for Canada. It determines what drugs will be licensed for use in Canada. It's up to each province to determine which ones on the list it will choose and how it will choose them, so it has a mechanism for making that selection.

There is some suggestion that this process, from the provincial side, may be a little slow in some instances. Let me just suggest, for example, that people I deal with in other settings who are wrestling with AIDS and so forth may have a concern about the speed with which certain drugs get into our formulary. If that is the case, have you got any suggestions as to how we can fast-track some of the selection, or are you satisfied with the selection process at this point?

**Ms Mottershead:** There are a number of initiatives that are going on concurrently between provinces and the federal government, for example, and within our own province in our ministry. I'd like Linda Tennant to answer the question, given that this morning she was

before a group of drug manufacturers telling them how we've streamlined the process.

**Mr Shea:** That was timely.

**Ms Linda Tennant:** Just coincidental.

Maybe the most striking figure I can give you to illustrate how far we've gone with our streamlining with the federal government — we're just introducing phase 2 of the streamlining. In fact, the regulations became effective on February 1, 1997.

If I look at 1994 — I have the data with me — the total number of submissions received by the branch was 128, and in that year we actually listed 98 products on the formulary. Since April 1, 1996, we have received 393 submissions, and as of this date we've listed 269 products on the formulary. The branch has done that with slightly less staff time than in 1994, so I think that demonstrates quite clearly that we've made considerable progress in streamlining with the federal government and eliminating duplication and overlap with what they do.

**Mr Shea:** The figures you gave are indeed year-to-year comparisons; the 128 and 98 are within the one year of 1994, and the next figures of 393 and 269 are within one year.

**Ms Tennant:** Within one year.

**Mr Shea:** There has been a dramatic closing of the gap, so the time frame is moving.

**Ms Tennant:** Yes. The other point I would like to make is that manufacturers have historically made comments around the fact that there was a queue in the branch and there was a delay in processing. Again, as of this week, and in fact for the last five or six months, the branch has had no queue; there is no lineup. We are processing submissions as they are received and DQTC is looking at them within a three-month cycle.

**Mr Shea:** That's a remarkably fine accomplishment. Do I still have time, Chair?

**The Chair:** You have two minutes

**Mr Shea:** I'll go to another committee member.

**Mr Marcel Beaubien (Lambton):** My question is with regard to the reform of the Trillium drug plan, the mailout that we had. On page two, under the title "Trillium Drug Plan — Problems and Solutions," it says, "While the principles behind the creation of the Trillium Drug Plan are sound, there are several operational aspects of the plan which severely reduce accessibility, particularly for low-income earners."

If we look at the information that we had the previous week, we have 2.3 million Ontario drug benefit recipients, 42 million Ontario drug benefit claims per year, a total budget of \$1.4 billion. First of all, how many employees do we have administering the plan? Secondly, reading the mailout that we had, the briefing notes that we had, it seems, especially when we look at the recommendations, that after a year and a half this particular plan seems to be a boondoggle. It doesn't seem to be working or addressing the problem for whom it was intended. I'm wondering, when you say, "Urgent reform of the Trillium drug plan is needed," do you think that by implementing those four recommendations we will fix the problem that we are facing right now?

**Ms Mottershead:** Are you referring to the recommendations of the Provincial Auditor?



**Mr Beaubien:** No, I'm talking about the "urgent reform" in the briefing notes we had, namely, "Eliminate the 'deductible' for low-income earners...; Allow for the 'deductible'...."

**Mr Richard Patten (Ottawa Centre):** Chair, maybe I can clarify. That was a document that I received in the community. I asked that the clerk circulate that to members and that the staff present it to the ministry and to the auditor. This was a representation that I had received from the community, from people who are affected by that program.

**Mr Shea:** May I have the two minutes back?

**The Chair:** You can have your two minutes back.

**Ms Mottershead:** I see now what you're referring to, and that is the recommendations from the AIDS Action Now group, I guess:

"Eliminate the 'deductible' for low-income earners — and spread the payments for others;

"Allow for the 'deductible' to be assessed on current-year income;

"Grant interim approval of Trillium applications as soon as they are received;

"Eliminate the reapplication process for people with long-term illness."

I think it is fair to say that these kinds of recommendations and advice would be something the government would consider. I don't think it would be appropriate for me to respond in terms of government policy to these kinds of recommendations at the moment. Certainly, it's something that we would consider in any changes that might be contemplated to the Trillium drug plan.

**Mr Patten:** Good morning. Welcome to the committee. I was going to follow up a little bit. I appreciate the position that you're in, that that would have to be vetted by the minister and probably go through a political review, but along that vein, I'm curious as to whether the ministry has a mechanism that freely enables the ministry staff, those who are appropriate, to contact groups that have indicated that they have some difficulties in the interests of gathering information to ameliorate a program or to make suggestions.

By the way, I must say, in terms of that paper, that the group that spoke with me was extremely diverse. They were a very thoughtful group. They acknowledged the importance of the intent of the program. They felt it was needed. They applauded that the program was there but they did have some extreme difficulties, for some people, in the application of part of it. I'm curious to see — because these things take so damned long with government, and I often wonder why; of course, I don't see it as a bureaucrat, I see it as a politician — to try to gain some empathy and to give you a forum to comment and say where you are limited in your ability to go out and listen to some of these groups which are the recipients or, as you might use the term, consumers — I don't; I call them people — to hear some of their comments.

1020

**Ms Mottershead:** I'll let Mary Catherine answer that one, but one of the things you may be familiar with is that the federal government recently released the report of the National Forum on Health. One of the recommendations in that report was to actually recommend the

establishment of a universal drug program, as an insured program under the Canada Health Act, I assume. There was an indication by the federal Minister of Health that perhaps we should be working in that direction. What that report and the recommendations suggest is that the universal aspect of it means there would be no cost to the taxpayers; that's what an insurance plan is about.

I think we'd be very interested in having discussions with the federal government on how one might work towards something like that and also whether the federal government would be interested in funding of this particular proposal, so that would see that we would be engaging in some conversations soon.

With respect to your specific question, Mary Catherine.

**Ms Lindberg:** We actually routinely meet with groups such as the individuals involved with AIDS and the physicians involved with AIDS. We have met with groups such as transplants, who have some difficulties with some of the drugs they receive. We meet with a number of the groups routinely and talk to them about any kinds of difficulties they're having, whether it's senior citizens with the drug benefits or whether it's the AIDS people who have difficulty with the Trillium side or whatever, but we do meet with them and take their considerations.

One of the improvements we're making on Trillium this year is that for those people who are currently on Trillium we'll use the same income and allow them to just resubmit their income information, not have to go through the whole reapplication process, so that we can then identify them early and get them on the system so that then they can start building their deductible. That is a change. That actually was recommended by the AIDS group.

**Mr Patten:** Presumably you have fewer inspectors now than you had a year ago or two years ago. I know you've got inspectors in different fields. I gather from your comments last week that your hopes are high for the network in terms of the computerization. I would expect the government of course would say that this is going to be the be-all and end-all that will do away with the need for inspectors to perform some regular audits and inspections. That's not only affecting health, it's throughout the government, as I'm sure you well know. How many inspectors do you have across the board now?

**Ms Lindberg:** We have four.

**Mr Patten:** This is just in terms of the drug program?

**Ms Lindberg:** Just in the drug program. We actually call them pharmacy liaison officers, because they go into the pharmacies to talk to the pharmacists about the program as well as look at their records and ensure that appropriate billing is happening and the right people are getting the right drugs.

**Mr Patten:** Is that enough?

**Ms Lindberg:** It probably is enough on the ground with the network, because what we do is take off computerized printouts from each pharmacy, relating them to the people who are eligible, making sure the people are eligible. But you need to be able to take those then and go into the pharmacy and actually verify that. Four can do that as long as you have the network. When you don't have the network, it's not as easy a task.



**Mr Patten:** For sure. I would grant hypothetically — well, not hypothetically — that a good computerized program would be very helpful. However, the computer doesn't think. You need judgement and you need people who can follow up a secondary possibility of a loophole in the system or whatever it may be.

The auditor suggested of the program — and I gather the ministry will be following up on it — that while there were only about 170 inspections out of 2,600, I think it was, there was no indication of where an audit had been. Will that show up in the computer program; in other words, who has been audited last year? What other flashpoints do you have? In other words, where you suspect things are happening, what indicators might there be, or is that a trade secret?

**Ms Lindberg:** Some of it is, because you don't want them to understand where you're going and who you're following up. But quite often, if you've got a large payout and not very many people eligible, that is the kind of thing you look at. It could be legitimate, because you might have only patients who have a really rare disease who use a very expensive drug, and you could have four patients receiving a lot or you could have a lot of patients not receiving — it's checking two things: the payout, the total volume payout; and the number of recipients you're seeing, if you're seeing the same card number too many times. Those are the things you look for.

**Mr Patten:** As police inspectors might experience, knowing a community that well, there are certain characters who tend to reappear and reoffend. Presumably in your program, although some of it is new, after a while you'd see a certain —

**Ms Lindberg:** You see patterns, yes. You definitely see patterns and you definitely follow up on the patterns.

**Mr Gerard Kennedy (York South):** As a whole, from my understanding, there's going to be a \$162-million drop in funding for the drug program. How is that going to be achieved?

**Ms Mottershead:** That is the budgetary number for this year. That was as a direct result of the copayment, the deductible and the dispensing.

**Mr Kennedy:** So the \$170 million in revenue you'll receive from that is being offset directly? That's the whole basis for the cut?

**Ms Mottershead:** I'm not sure I understand what your question is.

**Mr Kennedy:** I see it in the estimates as the outlay being reduced by \$162 million. Often the ministries show the revenue on another side. But you're saying that's just the effect of the revenue you'll bring in from the copayment.

**Ms Mottershead:** That's right. The revenues are consolidated in the consolidated revenue fund and are not part of the Ministry of Health estimates.

**Mr Kennedy:** That's what I'm asking about. You're saying the expenditures of the Ministry of Health on the drug program will be down by \$162 million, but you're saying that's due to the offset.

**Ms Lindberg:** That's due to the offset of the copayment. We're not now paying pharmacists the dispensing fee; the patient pays the pharmacist the dispensing fee. We pay the drug cost and markup and a dispensing fee.

On the copayment, the pharmacist's dispensing fee is what the consumer or the people pay.

**Mr Kennedy:** I see, it's paid directly to the pharmacist. I'd like to ask a little bit more — and please, if I'm being repetitive, let me know — about the program for the Trillium Foundation; \$6.5 million of it was taken up last year out of a budget of \$75 million and yet the special drugs program was over budget by \$30 million. Is there a relationship between those two fiscal outcomes and your plans for this year?

**Ms Lindberg:** The special drugs program is first-dollar coverage and it's specific disease entities, it's only certain disease entities, so those people who are eligible for special drugs programs get the full coverage. The Trillium program is based on a deductible based on 4% of your net family income. The difference is that for the special drugs program they happen to be very high-cost drugs and they are very rare disease entities: AIDS, cystic fibrosis, transplantation, human growth hormone. Cere-dase is used for nine people in the province.

**Mr Kennedy:** What is the basis then for the reduction of \$30 million in the special drugs program?

**Ms Lindberg:** The basis for the increase?

**Mr Kennedy:** The reduction. I believe it's being reduced from \$75 million to \$45 million.

**Ms Mottershead:** No, it isn't.

**Ms Lindberg:** No, that's the Trillium. Trillium has just been slow in the uptake. It's not as well known out there that there is a program that is available, so we haven't had as many people taking advantage of it. But each year there are more and more people as they become aware of the program. The majority of people who are taking it up are people between 55 and 65 who have no employer drug program.

1030

**Ms Shelley Martel (Sudbury East):** Let me go back to the revenue coming in from copayment. How much money is actually coming as a source of revenue into the consolidated revenue fund? Is the ministry able to access that from finance?

**Ms Mottershead:** Let me just say that I want to correct the consolidated revenue fund comment. The \$2 copayment on the drug is paid by the individual, so it becomes an individual responsibility. As a result of the individual's paying for that, it means there is less government expenditure, as Mary Catherine indicated, therefore the reduction in our estimates for this year is a direct result of having people participate now more directly to that expenditure.

**Ms Martel:** Where did the reinvestment of the revenue that would have been paid by the ministry then end up? The funding that would have gone that is otherwise now being covered by the copayment, where was the money, the difference, reinvested?

**Ms Mottershead:** I want to just clarify that revenue question. Previously, before copayment and deductibles and so on, the ministry's budget included payment directly to pharmacists for their dispensing, which was at \$6.11. Right now, with the changes that are made, pharmacists get part payment of their dispensing fee paid directly by consumers so that the government doesn't pay, and there is no revenue to the government. It's just an expenditure decrease.



**Ms Martel:** Is it fair to say that you're picking up \$4.11, then, and the person at the counter is paying \$2?

**Ms Mottershead:** That's right.

**Ms Martel:** Having said that, the \$4.11 translated across so many patients would accumulate to be how much revenue the ministry is no longer paying? Is that the \$170 million? Okay. Where was that \$170 million reinvested into the health care system then?

**Ms Mottershead:** I'm not sure what you mean by reinvestment in this context. What we had was a program that was about \$1 billion in terms of previous expenditures and with the policy change is now \$107 million less this year as a result of the government not having to pay for the copayment portion of that. I should point out, and Linda Tennant mentioned, the speed with which we are making changes to the formulary to add new drugs. There have been over 360 new products listed over the past short period of time and we are paying for more drugs than ever in the history of the province. There are more products and more drugs available now to people than ever before, so we are paying for that, and you might say that's where the reinvestment is going.

**Ms Martel:** Let me ask about the network. Originally, when we looked at implementing it, one of the big motivating reasons for going ahead with it and making the expenditure was because we wanted to get a clear handle on prescribing patterns and how we could change those. There was a whole body of evidence showing that many seniors were in hospital and shouldn't be, were it not for the drugs they were being prescribed or the mix of drugs they were taking. You may have answered this last week, and I apologize for asking it again if you did, but can you give us a clear sense of what evidence has been gathered to date? Has there been enough over the life of the network so far to identify prescribing patterns and make some recommendations around how negative prescribing patterns can be altered?

**Ms Lindberg:** We've had fairly good success with the Health Network in actually identifying doubledoubling, as we call it, where senior citizens go to two different doctors — they go to their GP and then the cardiologist — and get two different kinds of heart medication and they take both of them. We have been able to prevent a senior citizen from getting the same class of drug from two different doctors. We've had fairly large success on that particular point.

The other one is drug interactions, where you're taking one drug, you get another drug and you're not aware that there's an interaction. On the computer system itself interactions actually come up, are flagged up on the computer screen that says, "This is really an important drug-to-drug interaction." Pharmacists will look at that and will probably phone the physician — it could be via the same physician but he's just not aware that these two drugs interact — and get the drug changed. We've had a great deal of success in preventing those kinds of interactions.

The other thing we've been doing fairly successfully is looking at the practice patterns of doctors and how they are prescribing. Probably the best example of that is using the anti-infective guidelines that we've currently developed. We have anti-infective guidelines — they're

back here — that physicians actually carry with them and look at what's the best drug to use for the disease entity they're diagnosing. It's been very successful in helping to get a better prescribing profile from physicians.

**Ms Martel:** Have you seen any evidence that there's just straight overprescribing?

**Ms Lindberg:** Yes. We see some evidence that there are drugs inappropriately used for conditions they shouldn't be used for. We don't see physicians actually prescribing what we call limited-use drugs very well. We see them using them for conditions other than the conditions we have actually prescribed them for in the formulary, those kinds of things. We can identify those and have been working with physicians and a group of U of T officials to do some work on how you educate physicians in better prescribing. They've actually gone out using the anti-infective guidelines.

They've done two things: They've done what they call academic detailing, which is sending in a pharmacist to detail what they should be prescribing, using a profile; or small groups. The small groups don't work as well, unless they're physicians who like each other, for some unknown reason. They're having a lot better success with the one-on-one detailing. Obviously the success is because that's what pharmaceutical manufacturers had success in doing for years. If we do the same thing using our guidelines, we get the same sort of success rates.

**Ms Martel:** Is it possible to quantify at this point what the saving might be then because of implementation of the network on the health care side either in the prescribing of less costly drugs, fewer drugs, and alternatively, fewer seniors in hospital because they are sick because they are overmedicated, or has the program just not been in place long enough to do that? Does the ministry have the capacity to do that?

**Ms Lindberg:** We have some of those numbers. I just don't have them with me but I could probably get you some of those numbers.

**Ms Martel:** I would be interested in seeing that, actually, because it was certainly part of the reason why we thought the investment was worthwhile in the first place. It was the longer-term cut to health care costs.

**Ms Mottershead:** On that, we have information. You know it's an avoidance of a cost that is being dealt with rather than a specific saving. To give you an example, if you have been able to intervene in terms of a bad interaction and stop somebody from having heart failure, a heart seizure or something, you've stopped hospitalization. It doesn't necessarily mean that you actually saved money in the system. I just wanted to be clear. We'll provide the information but it doesn't necessarily mean an actual saving today. You can't say Toronto Hospital saved \$50,000 as a result, because that's not the way it works. It's cost and stresses on the system that are being avoided.

**Ms Martel:** I wanted to return to some of the recommendations Mr Patten gave to committee members that came from the Access AIDS Committee. I appreciate that you're not in a position to tell the committee which you could move forward on — that would have to be a political decision — but I wonder if it is possible to have some costing done with respect to what those recommen-



dations, if implemented, would cost either the plan or the health care system. I think all of us have had constituents who are in a particularly difficult situation who have to pay for what you could call catastrophic drugs who usually end up, because they can't work because they're too sick, on social assistance and even have trouble making the deductible. I think it's worth our while, as a committee, to know whether we could ask you to do that work, whether you have the mechanism to find out what it would really cost the system to implement some of the changes that have come forward from that particular community.

1040

**Ms Mottershead:** What you have, though, is a recommendation coming from a particular community that has implications for the total population of the province.

**Ms Martel:** That's true.

**Ms Mottershead:** I mean, of who is eligible for the program. I think if one wants to look at anything that's available at the moment, it is the kind of analysis that was done by the National Forum on Health in making the recommendation to go to a universal plan. My understanding is that the cost is in excess of \$3 billion across the country. Given that Ontario represents more than 36%, 37% of the population and so on for the country, that would be a significant cost to actually deal with one recommendation, which is to eliminate all deductibles. If you paid 100% of everything for 11 million people, I think you're looking at huge costs.

**Mr Shea:** Would it be reasonable to assume that when Mr Dingwall made his comments that said the Ontario health care system seems to be in good shape, you would at least be heartened?

**Ms Mottershead:** I firmly believe that the Ontario health care system is in very good shape as it respects the question we have before us today on the issue of drugs. We have the most universal coverage of any province in Canada and the most generous subsidy for prescription drug plans, and I think one can be heartened by those comments.

**Mr Shea:** I want to pick up on a point you and the other deputants had raised earlier, particularly I think as Linda talked about the decline of the backlog to a point where you're now almost in real time processing applications, which is good news from where we were. Would you characterize that as saying that you have moved away from being paper processors into being more information managers, that you're now much more effective in the way you're managing the system?

**Ms Mottershead:** If you look at the ministry's business plan that was tabled this year and future plans, you will see that our focus is really to move away from processing and being very transaction-oriented. We want to use our information systems to deal with questions around, are there patterns here that are disturbing, should we be taking a different policy position, and be more manager of the system rather than individual transactions?

**Mr Shea:** Will you confirm figures that I made a note of in your last deputation that astonished me? I think we need to look at them. Obviously I'm coming back to a point raised by Ms Martel in terms of where costs are being reinvested and so forth, and I'll go back to that in

a moment. Do I have it clear in my figures that some of the new AIDS drugs, four new AIDS drugs, for example, have been introduced or listed and they run something in the order of \$5,000 per patient, per year?

While you're finding that figure, the other figure I had was for some of the new MS drugs that are there, something in the order of \$12,000 per year. Are the costs in these special drug areas now running something in the order of \$24 million?

**Ms Mottershead:** The expenditures in the special drugs program that has been noted by Mr Kennedy I guess are rising, and we are spending at a level that is about 40% more than has been budgeted for.

**Mr Shea:** I see.

**Ms Mottershead:** So we are actually adding more drugs and covering —

**Mr Shea:** So the envelope is maintained, but obviously there are reallocations within the envelope.

**Ms Mottershead:** There have been reallocations at play of the underspending in the Trillium drug plan, but overall within those two programs, the special drugs program and the Trillium plan, the total of the two budgeted numbers is still within allocation.

**Mr Shea:** I presume you might still continue to expect some pressure in that area, and I focused on AIDS just as a case in point. As the whole cocktail theory and so forth of drug therapy is applied, I presume you might suppose the cost would continue to move in that direction.

**Ms Lindberg:** We have not added any new drugs to the special drugs program in the last three years. Every time we have a new drug, such as one of the new AIDS drugs that costs about \$5,000, we put it on the Trillium plan and then they have to pay their deductible.

**Mr Shea:** That's the 4%?

**Ms Lindberg:** Yes, 4% of the net income.

**Mr Shea:** Okay. Let me go back to a question also raised in terms of fraud. The auditor —

**Ms Mottershead:** Can I just —

**Mr Shea:** Yes, of course.

**Ms Mottershead:** I want to add a point to that. Even though the drugs have been frozen on the special drugs program — the AIDS drugs, we mentioned, have been put on the Trillium — there are still a number of significant drugs for AIDS patients, for example, that are on the special drugs program. The number of people is growing, people are living longer as a result of being on the drugs, so that's why the pressure continues to rise. You say, "Well, the drugs haven't changed," but there are more people and people live longer.

**Mr Shea:** I understand, and some of the therapies are changing as well, but the Trillium responds to that in part.

**Ms Mottershead:** Yes.

**Mr Shea:** I want to go to the fraud issue for a moment because there was some question being raised about the four inspectors. Would you confirm for me that there have been four inspectors for some time, that this is not just a new figure?

**Ms Mottershead:** It hasn't changed in the last — not since I've been here.

**Mr Shea:** Will you confirm that? It has not changed; it has been four for some time. Would you also confirm



that in addition to that there's an investigation branch which has other investigators involved and that number has not changed either?

**Ms Mottershead:** There are 10 investigators that we have in that particular —

**Mr Shea:** And that has not changed either? It has continued the same?

**Ms Mottershead:** That's correct.

**Mr Shea:** I appreciate that information. Now I want to go to that very good question raised by Ms Martel. I wanted to get at that point — well, I'll come back to that in a moment. There are a couple of other things I just want to pick up very quickly about the prices of drugs in Ontario. Have you been monitoring the cost of drugs, item by item, very closely? How do we compare with other provinces?

**Ms Tennant:** We have a record of what happens in other provinces and we do monitor drugs. Ontario is probably the fastest at putting drugs on to the formulary by virtue of our process and the fact that manufacturers will target the larger provinces first.

We did a spot check recently of 10 drugs, let's say fairly well used drugs in terms of total cost to the program, and we found that in five of those drugs Ontario had a lower price than the other provinces, in four we had the same price and in one we were about one hundredth of a cent above three other provinces. So it's something we do on a regular basis.

When we talk to manufacturers before we list drugs, we go through a series of discussions or price negotiations and that's one of the issues that's obviously covered. By virtue of the fact that we're one of their biggest customers — in fact, we are the biggest customer in Canada — we should be competitive.

**Mr Shea:** So this has given you good buying power as well on behalf of the taxpayers and the patients of this province.

**Ms Tennant:** We try to combine price and volume so that we get —

**Mr Shea:** Sure. You used a word there that was intriguing, the word "listing." I want to go to delisting because it brings me back to a point that Ms Martel was segueing into in terms of the health care budget envelope. In your answer you demonstrated how the copayment has aided in the listing of more drugs, and of course we have added 140,000 new people, I think, to the Trillium drug program as a result of that and so forth.

The previous government, I know from my figures, delisted something in the order of about 260 different drugs to try to keep costs in line. To your knowledge, has this government delisted any drugs to save money?

**Ms Tennant:** There haven't been any drugs removed from the formulary, no, not by the government. There have been some drugs removed at the request of manufacturers. Usually when they bring out a new dosage form or a different —

**Mr Shea:** All right. But the government has not been using delisting as a vehicle for cost saving?

**Ms Tennant:** No.

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**Mr Shea:** I'd like to go back to the Trillium to make sure we're very clear. Is there still a backlog in Trillium

in terms of applications? Is that still the case, and has it been closing as well as the other backlogs?

**Ms Tennant:** The backlog at this moment is about eight weeks. With every processing day that passes, we now cover about five days of the backlog.

**Mr Shea:** What would the backlog have been, say — let me pick an arbitrary figure — three years ago?

**Ms Tennant:** Actually, Trillium only came in April 1, 1995.

**Mr Shea:** Good answer. That was a trick question.

**Ms Tennant:** You were testing if I was awake. I think part of the difficulty with Trillium has been startup. With any new program there is a developmental process.

**Mr Shea:** Great. I appreciate that answer. I'll come back. We'll be coming around again. Thank you.

**Mr Kennedy:** I guess I'll follow that line of questioning. You say you have an eight-week backlog. Is that what you mentioned?

**Ms Tennant:** In Trillium, yes.

**Mr Kennedy:** And you're able to eliminate five days of that as each week goes by?

**Ms Tennant:** At this point in time —

**Mr Kennedy:** So you're looking at 40 weeks before you're caught up. Is that correct?

**Ms Tennant:** By the end of February, I would hope, we would be completely clear.

**Mr Kennedy:** By the end of February, so the cumulative effect would be that by the end of February — what would you consider to be caught up? Because one of the problems, and you've already had a paper circulated so you know that a six- to eight-week delay in the Trillium program is proving to be an onerous hardship for people. That's part of the backlog I guess that you're referring to and I assume that's why there is that kind of delay. It's because you have a backlog of applications and so forth?

**Ms Tennant:** That's right. The delay is due to the volume of applications and the type of applications, the difficulties we've had with the program being new and some lack of understanding, quite frankly, of what is required.

**Mr Kennedy:** That's curious to me, as a layperson. Catastrophic drugs must be a fairly definitive condition for people. What is the nuance in terms of the processing that you have to do that requires six to eight weeks? How does that take that kind of time?

**Ms Tennant:** I would separate out of the fact that people who apply to Trillium cover a broader group than those with catastrophic drugs. Trillium covers people whose drug costs are high relative to their income, so we have a whole range of people who apply for the program. Probably about one quarter of the people who are on the program right now haven't met their deductible, so their drug costs haven't reached the point where they would qualify for free benefits under the program. Then we have a situation where some people have particularly high drug costs, and I think some of the AIDS folks would be good examples of that. Others would be some cancer patients who are receiving drugs in the community.

What we try to do there is, once those individuals are identified, we fast-track the applications. We can put them on the system within a two-hour period and then process their receipts.



**Mr Kennedy:** That experience is not what many people in the community are relating as being their experience, so there's a gap there. I'll leave it at that. That's obviously the kind of responsiveness one would expect if there was a clear-cut case, that it wouldn't take that kind of time to make happen.

**Ms Tennant:** We've spoken about the fast-track process with various groups such as the AIDS groups. We've given them the program manager's name and telephone number and set up a process with them as to how individuals in particular need can access the fast-track process. Part of the difficulty is that perhaps through discussions with groups you don't necessarily reach everyone who is involved. But we've spoken with, for example, physicians in the AIDS clinics, we've spoken with the transplantation centres so that they can advise their patients, and we've tried to encourage them to let people know that they can apply for Trillium at any point in time. They don't have to wait until they have receipts for drugs in order to do so. You can apply for Trillium before you incur any drug costs whatsoever.

**Mr Kennedy:** You know also from the paper that there's a hardship by using last year's income, in terms of people who become ill and also people who have to pay that deductible right away. Private plans allow them to put their deductible against the cost of drugs and it makes it more affordable for them. I understand that flexibility isn't yet part of this program.

**Ms Tennant:** As a matter of fact, it is. We do assess on current year's income. We're requested to do so by the individual, so that facility is available now. It's available for seniors and also for Trillium applicants.

**Mr Kennedy:** Coming to the question I had before: a \$75-million expenditure last year in the special drugs program; a budgeted line item this year of \$45 million. I didn't quite understand the explanation of how that will be achieved. How will you reduce the cost? You had \$75 million in actual last year, correct?

**Ms Mottershead:** Let me just say that the total of the two programs is not being exceeded so that —

**Mr Kennedy:** But I would like dwell on that a little bit. Somehow the special drugs program, which is a different program — you're going to see some of that need transferred to the Trillium program, is that correct?

**Ms Mottershead:** Can I just highlight an example for you using sort of personal experience? You've got \$5 in your savings account and \$5 in your chequing account; the sum is \$10. Basically you're paying all your bills using either your chequing account or your savings account. What we have here is a program in the special drugs that is overprescribed and a program called the Trillium drug program, because of some of the delays and other things, is underprescribed. But both programs are being fully funded and all the obligations met on behalf of the individuals applying for them. That's my simple explanation: One is over and one is under, but we're well within the budget and what the Legislature has approved for drugs in general.

**Mr Kennedy:** Relative to your plan for this year, though, and your plan for next year, would you see that — as more people come on to the Trillium fund, the complementarity of the over- and undersubscribing will

change. What are the plans the ministry has to accommodate that?

**Ms Mottershead:** We're going through the estimates process right now. We will be indicating, as part of that process, to government what the requirements are in both of those plans and that decision will be made by the government in the budget. I suggest we need to wait until the estimates are tabled to see what the new appropriations are going to be.

**Mr Kennedy:** Is there any end-year understanding of what the takeup is now in the Trillium portion of the two programs? Any idea what you're headed for in terms of end-year?

**Ms Tennant:** It will still be less than \$40 million this year.

**Mr Kennedy:** Less than \$40 million.

**Ms Tennant:** Perhaps considerably less; we're not sure.

**Mr Kennedy:** I just want to refer a little bit to some of recent announcements. Are you aware whether the change in welfare responsibilities will affect the funding for the drug program available to welfare recipients and, if so, how?

**Ms Mottershead:** The changes proposed that you're referring to are, I believe, in the Ministry of Community and Social Services?

**Mr Kennedy:** Yes. So only to that portion?

**Ms Mottershead:** Our estimates only include the Ministry of Health component.

**Mr Kennedy:** Are you not involved in the operation of that part of the drug program as well that relates to welfare recipients?

**Ms Mottershead:** There is some involvement: however, it's two completely different estimates lines and budgetary lines. One is in the Ministry of Community and Social Services and the other is in Health.

**Mr Kennedy:** So you're not aware —

**Ms Mottershead:** Yes, I'm aware of the proposal that has been made.

**Mr Kennedy:** Because the other question I have has to do with your overall goal in terms of making the drugs work for the protection and promotion of the health of Ontarians. You have the new copayment plans taking place, \$2 and \$7 charges on people and a deductible of \$100. The auditor's recommendations found some practices, as he probably will in every ministry and every program, that need to be improved.

With this new program, what practices do you have in place to tell how well the health of the Ontarians who have to pay copayments will be protected? What kind of monitoring are you doing? What kind of impact studies are under way by the ministry? What kind of things will occur to ensure that their health and wellbeing is not harmed by that new program?

**Ms Mottershead:** Mr Kennedy, before we answer your question I'd like to know, what is the new program you're referring to?

**Mr Kennedy:** The copayment the ministry is charging on the drugs.

**Ms Mottershead:** I didn't know whether you were back to the municipal —

**Mr Kennedy:** No, but having to do with welfare recipients and seniors both, that copayment plan. I have



another part to that question that relates to the welfare program expressly, but I'm wondering what kind of plans you have in place to tell what impacts they're having.

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**Ms Mottershead:** The network is a good example of what tools we have at our disposal to actually monitor. We have found that there has been no decrease, for example. There was a concern, I guess, that people couldn't afford a \$2 copayment at some point. However, we have found that there has been no decrease at all between what happened pre-copayment and what happened after in terms of the number of people who are actually receiving drugs or having drugs prescribed to them. That's the reality we have, and we can certainly track that information because we know who they are, we know if they were on before and they're not on now, and we know those ones who have chronic conditions that would require continual taking of certain drugs.

At least from the information we have on the network, there has been no change. People have not stopped taking medication as a result of having to pay a \$2 copayment. That is our intelligence network in terms of monitoring —

**Mr Kennedy:** It's a gross measure you're using, about the number of people who are accessing the system. Are there any specific studies under way by the ministry to know what the impact will be of the copayment on people's health?

**Ms Mottershead:** Not specifically acquired or tendered research projects per se. I just want to reiterate the fact that we have the network, we have people who are looking at it all the time, and that is certainly our major tool. You are also aware that there are a number of organizations out there that come to us with concerns or if they think there's a perception about certain concerns, and in working with them we follow up on their issues and we know that there isn't a quality question at all.

**Mr Kennedy:** Are you aware of some of the concerns raised by Ontario food banks about having to provide food to people who in the first instance have to pay for drugs that used to be on the formulary list? Some 20% of people who utilize food banks in the Toronto area have to use some of their food money to pay for drugs that used to be covered by the plan. Those are statistics that have emanated for the last three years and have increased in the last year. Are you aware of those associations' concerns?

**Ms Mottershead:** I can't suggest that I have validated or verified the kind of numbers that you have put forward. I'm not sure whether you can tell me, using your statistics, whether those were recipients of the Ontario drug benefit plan or whether they're over-the-counter drugs or what.

**Mr Kennedy:** Prescription drugs covered by the Ontario drug benefit plan previously and not covered now and that continue to be paid for by the recipients.

**Ms Mottershead:** We have knowledge of a number of pharmacists and pharmacies who have actually attempted to eliminate the \$2 copayment in cases where they have identified hardship, so I'm not going to suggest that that is a universal kind of problem because there have been many other participants to ease some of that burden.

**Ms Martel:** I'd like to go back to the drop in expenditures of \$170 million so that I have this clear in my head. You mentioned that it was true that there are \$170 million ministry dollars being spent this year because the government is not picking up some of this cost, the consumers are picking up some of the cost, and that in fact what the ministry was doing was paying for more drugs on the ODB.

I guess my question is, if that were the case, why wouldn't the ministry expenditures have stayed at the same level? Because if you are paying for more, then you are obviously paying the same amount of money and what we would see is no decline in expenditures but a large growth in the number of people coming on to the plan and drugs being paid for. As it is, we still see a cut in the budget line of \$170 million.

**Ms Mottershead:** The budget number that you have is a forecast of what we estimated would be fewer requirements this year as a result of some of those changes. You cannot make the direct correlation that \$170 million would be the value of the drugs that have been added to the formulary. It's not a one-for-one situation. But we are forecasting that our requirements before the end of the year will probably be a little bit higher than what we have in the forecast and in the budget as a result of adding some more drugs and having more people eligible every month who turn 65, for example.

**Ms Martel:** So it might be \$150 million or \$120 million. Is that what you're saying?

**Ms Mottershead:** It might be. We don't have the final forecast for the year-end yet.

**Ms Martel:** Okay. You still have some figure that appears as a decrease in expenditures. It might be \$170 million, it might be \$150 million, it might be \$120 million at the end of the fiscal year when you balance that all out. Is that still not a cut from this program? How else do I view that?

**Ms Mottershead:** It's not a cut from the program because there has been absolutely no delisting. I've mentioned that the government has added more than 360 new products on the formulary. I've indicated there's more growth in terms of the number of eligible recipients to the program. The reduction has occurred as a result of not having taxpayers in general paying directly for the individual copayments.

**Ms Martel:** On the other hand, the argument could be made that it comes at the expense of people who used to not pay for drugs now paying for that, and that in fact the expansion of the number of products on the formulary also comes as a direct result of those people paying for drugs where they did not before.

**Ms Mottershead:** I just want to come back to the point that the drug plan that is available in Ontario and all the other provinces is not a medically insured service under the Canada Health Act. Provinces have been paying, through the taxpayers, some costs for drugs in all provinces, and I just want to come back to the fact that this province is the one that is most generous of any province in terms of its taxpayer contribution to individual drug requirements and plans.

**Ms Martel:** Don't take me wrong; I'm not blaming you. You didn't make the promise about no copayments,



so I don't expect you to have to defend that government action. What I'm trying to get at is that somewhere in this program there is \$150 million less government money being spent. I don't know how else to describe it. It might be \$170 million, it might be \$150 million, it might be \$130 million, but at the end of the fiscal year when everyone does their numbers and we know it's not estimates any more but the actual money that was spent, we are going to see on a budget line in this program \$150 million less Ministry of Health money spent.

**Ms Mottershead:** I don't disagree with that point. There will be, whatever the number is — \$170 million, \$150 million — less spent in this particular area than in previous years. I just want to let you know in terms of my position as the chief administrative officer for this corporation called Ministry of Health that the money that is being reduced from one side is also being reinvested in other sides because I'm the one who's responsible for implementing the areas where the government has decided to reinvest. There has been a tremendous amount of money that is going to reinvestments in other areas of health care that I can attest to because of my position as chief administrative officer.

**Ms Martel:** And you would feel confident that whatever savings we find here — \$170 million, \$150 million etc — we will also see have been reinvested in the same fiscal year that that money was actually cut from this budget line: reinvested somewhere else in the health care system?

**Ms Mottershead:** As I mentioned in my example around the chequing and savings account, I think it's fair to say that overall there are reinvestments. We cannot — and you know from going through an estimates process — make a line-for-line tradeoff: This investment goes against this saving; this saving goes against this investment. That's not the way we work.

**Ms Martel:** Let me go back to my original question. Can we do a costing around, for example, eliminating the deductible? You talked about what's happening at the federal level. My view is I've got to deal with what's happening today. That might be an election promise that the Liberals are making; we might never see that. Let me try and phrase it in this way: Does the ministry, within the Trillium program, for example, have a listing of catastrophic drugs? The reason I ask that is I'm wondering if it would be possible to give this committee a figure of what it would cost, for people who participate in Trillium now who use catastrophic drugs, to have the deductible removed for those people. Is that a figure that could realistically be provided to this committee?

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**Ms Lindberg:** I guess we'd have to have the definition of what is catastrophic.

**Ms Martel:** That's what I'm asking, if you have a listing of that at all.

**Ms Lindberg:** AIDS drugs are expensive, and they use the protease inhibitors or those kinds of things that are expensive. But the person who is 55 years old and has \$10,000 or \$12,000 in annual income and has had a heart attack, his drugs are very catastrophic also. So it's the definition of what you would want us to look at as catastrophic, because I think it's unfair to say that because

they're AIDS patients and they have these high drug costs — the person who has a very low income and has had a heart attack, his drugs are very expensive too, or for the woman with MS who has some drugs that are not that expensive but takes a lot.

I think we could pull those out if we had definitions of what you were talking about or what categories you were talking about.

**Ms Martel:** My original question: Does the ministry have a category of that at all for the purposes of —

**Ms Lindberg:** We don't have a category called "catastrophic."

**Ms Mottershead:** In terms of that term, it had been used originally to indicate that there are a number of drugs that one must take, in order to function and to live, over a lifelong term. Whether that's a hormone drug or something else, it's something that you're critically dependent on for every day that you live in a normal life cycle. That was the original definition of a catastrophic drug.

I think it's fair to say it has migrated over time, because obviously any drug that can make you better or stop something from happening is lifesaving, or could be lifesaving, and therefore the definition has migrated. So there isn't a current definition, although I understand the previous Liberal government did have one that was very narrow: You need it every day for the rest of your life kind of thing.

**Ms Martel:** Given the participants in the program now, what would be the cost to remove the deductible for all of the participants in the Trillium program at this point? Is that a fair question to ask? Well, you would know because you have to —

**Ms Lindberg:** Each individual person has a different deductible —

**Ms Martel:** Right, but that's geared from their application, right?

**Ms Lindberg:** — because we're doing it in a step by step — I mean, we base it on 4% of your net family income. Because it's net family, one person might have all of the drug costs but the whole family becomes eligible, so then we pick up a full family cost, where we only, on ODB or something, pick up an individual cost, or on special drugs we only pick up an individual cost. So it's very difficult to look at that. An AIDS patient with a spouse, although maybe taking hardly any drugs, once the deductible is paid for, that spouse's drugs are also covered.

**Ms Martel:** Okay. Take the people, whoever's applying, the straight numbers of people who are applying on any single form —

**Ms Lindberg:** Yes, we could go through 40,000 forms or something.

**Ms Martel:** But you wouldn't have a good sense of what that is?

**Ms Lindberg:** No, we don't know.

**Ms Martel:** My concern is, I think it's unlikely we're going to see a universal drug program in the very near future across this country. I just don't think that's on. There might be some negotiations, but we're in an election year and it's hard to say what will happen after that. Any number of other provinces are in very different



stages of having some kind of coverage for people in need of drugs, and I suspect if money was going to go anywhere from the federal government, would end up going to those provinces that have — I don't want to say the worst programs, but the least well-defined programs in place. So if Ontario is going to take this initiative around meeting some of the recommendations that have been put forward, it will be Ontario's decision to do that. I don't think it's going to depend on what the feds do, because I think it's unlikely that something's going to happen at that end in short order.

If there's a way to advise this committee of what that particular cost would be, that is something I would be interested in having because I think there's a very serious problem for a group of folks out there who are not capable of working because they are so sick and who are having terrible times trying to pay for drugs that they really need to maintain their life. I really think we need to take a look at what is the cost to deal with that group of people.

**Ms Mottershead:** I just want to say that in looking at the Trillium program — and it was the previous government that introduced the program, recognizing that the high cost of drugs had an impact on a number of individuals and families — what existed before that was a worse situation. There was no plan at all for covering individuals, and somehow people managed. What this program has done, in effect, is to help those individuals who have applied manage even better.

The removal of a deductible altogether, regardless of income, a state of family or a state of illness or whatever — and I don't speak for the government on this issue — I personally don't think is a practical idea at this point in time, given that there may be other issues in health care that would require some immediate attention.

**Mr Shea:** Could we go back? A couple of questions raised by Mr Kennedy I think create some confusion, and for the purpose of the record we might just restate them in another way, perhaps with more clarity.

Would you confirm that individuals in this province who are earning under \$16,000, for example, or a couple with incomes of \$24,000 or less, in terms of drugs the maximum they would pay is the \$2 fee, the copayment?

**Ms Tennant:** The numbers you quote are for seniors.

**Mr Shea:** Yes, for seniors. I'm sorry, yes.

**Ms Tennant:** Yes, that's the maximum.

**Mr Shea:** Would you confirm also that in your experience at this point a number of pharmacies are waiving the copayments?

**Ms Tennant:** A number of pharmacists have gone public with that. Other pharmacists we know are making individual or individual-specific decisions according to the customer with whom they are dealing.

**Mr Shea:** In terms of his questioning, I was perplexed by his question as it led into the issue of apparently a time period where some drugs were covered and gave the impression that now there are drugs that are no longer covered in the plan. I suppose we could ask Hansard to read back his last question. The deputy minister tried to deal with that, and I think she was going down one track while Mr Kennedy may have been going down another track, and I don't want to read his mind because that would be presumptuous and scary.

**Mrs Sandra Papatello (Windsor-Sandwich):** Not as scary as that tie.

**Mr Shea:** Oh, I think there's cause to ask the Chair to rule on that.

Having said that, I don't know if Hansard could read back the question. But if I misphrase this I know Mr Kennedy will try to correct me, and I would welcome that because I'm quite sincere in trying to flesh this out a bit.

To your knowledge, are there drugs now that are not covered? Are there drugs that people are not covered for now in this province that were until just recently covered?

**Ms Mottershead:** This government has not delisted any products. The notion that maybe was alluded to that there have been delistings and as a result people are now having to pay out of pocket for drugs that have been delisted is not true. This government has not delisted any products at all. The Hansard will show that the director of the drug programs branch mentioned that some have come off the formulary as a result of —

**Mr Shea:** To be replaced by something else?

**Ms Mottershead:** — the manufacturer having indicated that they should come off.

**Mr Shea:** You are confirming that the copayment has permitted an expansion of the Trillium list and so forth, the numbers involved in the Trillium plan?

**Ms Mottershead:** And the new drugs that have also been added.

**Mr Shea:** New drugs have been added, significant numbers of new drugs have been added to the formulary.

**Ms Mottershead:** That's correct.

**Mr Shea:** In response to a question — and this may be one of the reasons why the federal Minister of Health has been so pleased with the current state of the Ontario health program — you were very clear to maintain that as far as you are aware, the integrity of the \$17.4-billion health budget of this province is being maintained, that there are movements within the lines and movements within programs and so forth, but at this point to your knowledge that envelope is still maintaining its integrity. Is that correct?

**Ms Mottershead:** Absolutely correct.

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**Mr Shea:** Thank you. You also said something that really caught my attention. It's my understanding that Ontario was the very last province to introduce copayments. Is that true?

**Ms Mottershead:** That's right.

**Mr Shea:** Do you have a sense of how far beyond this other provinces clicked in? Has it been just in the last year or have some been in the program even much longer?

**Ms Mottershead:** Mary Catharine probably has more knowledge of this, but a lot of provinces have been into this sharing of costs for a significant period of time, years.

**Mr Shea:** Years?

**Ms Mottershead:** Years. In terms of just giving you a little bit of a stark contrast with respect to this plan, you have here for seniors and others at a certain income level a contribution of \$2 whereas in some other prov-



inces — the one we'd like to refer to is Saskatchewan, which has a copayment requirement or deductible of \$1,600 a year, \$800 every six months, just to juxtapose the two plans.

**Mr Shea:** I do not want to make this a partisan committee and respond accordingly, but is my information correct? For example, Prince Edward Island seniors pay \$7 per prescription plus the dispensing fee? Would that seem about right? I'm getting some comparative figures of where we are now.

**Ms Mottershead:** Seven dollars is correct.

**Mr Shea:** All the other provinces have much larger caps than we do and so forth. That comes back to your comment that this is the most generous of any province in terms of its health care.

**Ms Mottershead:** In terms of its taxpayer contribution to other taxpayer requirements, yes.

**Mr Shea:** Do you want to add any more to that? I think that is something we really need to get on the record. We are always trying to improve the programs and systems in this province, but I think it's equally important that we balance the naysayers and others with at least some of the good news by comparison to where we are in other areas across this country.

**Ms Mottershead:** We have comparisons in terms of what is happening in other provinces. I want to emphasize also the fact that there was absolutely no requirement to have drugs under the Canada Health Act paid for 100%. In fact, this province was paying 100% for seniors and social assistance recipients until just recently. The \$2 copayment, \$100 deductible is one of the most generous plans in the country.

There has been indication by some of the other provinces at this point in time that they're looking at those plans again to perhaps increase, because we're facing across the country an aging population and the stresses that causes in the health system. Thanks to medical interventions and new technologies and better drug therapy we have people living longer. That means the system itself is under a lot of pressure.

We have a number of provinces, as I indicated, looking at increasing the contribution that citizens make towards this type of program. To my knowledge, there are no plans by this government to do anything like that.

**Mr Shea:** We can only hope that our NDP brothers and sisters in Saskatchewan come to their senses and join Ontario in this grand march to improved health care.

**The Chair:** On that sweet note —

**Mr Shea:** Wasn't that marvellously timed?

**The Chair:** — we'll go on with Mr Kennedy.

**Mr Kennedy:** I will be careful not to reveal too much of the inner workings of my mind to Mr Shea, given his apprehension about how that might affect him. I want to come back to the question I raised earlier.

The replacement of drugs off the formulary list, which is the substitution you mentioned, has indeed caused some people to retain those same drugs which you say have been substituted for and pay for them out of their own pockets on a fairly significant basis. The data for that have been available from groups and associations in this province for some years. I'm wondering, pursuant to your last answer, and you say you can't verify those

figures, it seems you perhaps aren't aware of those figures. Is that correct?

**Ms Mottershead:** I just want to be absolutely clear for Hansard. I don't know what your statistics are, what year they're for and from and so on, but this government has not delisted any product, therefore I don't quite understand the substitution comment you've made.

**Mr Kennedy:** Previous governments have?

**Ms Mottershead:** Yes.

**Mr Kennedy:** What we're talking about — and I'll just bring you back to the line of questioning — is the auditor's insight that certain practices should be followed. We're asking about the new cuts, in the sense that there are copayments, which represent a cut in net benefit. You've reflected already on your opinion of the generosity of that. But certainly we're wondering whether there are studies to track that. I'm talking about, under your jurisdiction, previous changes that have been made, wondering whether the ministry has been aware of them, and the potentially harmful effects of those changes of delisting drugs, of putting substitutions on, and whether people, particularly people for whom the main benefit of these programs is intended — lower-income people and seniors — have been deleteriously affected. I'm asking that as a question. I'd appreciate what response you can give.

**Ms Mottershead:** I'm going to pass it on to Mary Catherine. My understanding of the previous government's delisting of some products is that they were not products that would or should have created hardship on anyone. I'll let Mary Catherine, who has a better recollection of that, comment.

**Ms Lindberg:** There were two categories of drugs, I think, that you're talking about. We took out a number of over-the-counter drugs, as they're called, and we took out what we call sustained-release drugs. The exact, same medication is still available in the formulary, except that it's not in a sustained-release form. We were finding that the manufacturers, where you would have a generic form of the regular-release form, which would be the lower cost, were promoting the sustained-release formulation over the generic because then they would get the market. There was no real advantage to sustained-release drugs other than that you don't have to take them as often during the day.

**Ms Mottershead:** It's long-lasting medication.

**Ms Lindberg:** Yes, it's called sustained-release or long-acting. We felt that the most suitable way for people to take those drugs was in the generic applications, the regular form of the drug which worked just as well, did just exactly what we required, was the right drug at the right price at the time we were looking at it. The sustained-release medications, which really had a better health outcome because they were sustained-release, are still in the formulary.

**Mr Kennedy:** I'm not going to get into a pharmacological discussion, because I don't have that background, but it sounds like a relatively benign explanation. However, again my point is, referencing the deputy's point: How does your ministry monitor the effects of changes in government policy with respect to the drug benefit program? The answer given was associations' complaints



monitoring the community. I'm referencing monitoring that's been done in the community to say that it has not been a benign effect. There have been people who pay out of their pocket for these drugs.

I've been personally involved in advocacy with some of your committees that review drugs, and I know this is not quite as benign — I'm not saying it's widespread or inordinately different — but the impact on people's health is documented, is significant. The impact on their income, which is what this program is supposed to replace, is significant. I wonder if your ministry is aware of the studies that food banks here and in Kingston and in Ottawa and so on have had on the impact of the program. Is there any response to that? Does that relate to perhaps a need for studies to be done on the current copayment plan?

**Ms Lindberg:** The decision is whether we're prepared to pay for the right drug for the right condition at the right cost, versus patient preference. One of the things when you're dealing with a program in this order of magnitude of costs is that if that's a patient preference, we have said the patient has to pay for it.

Lots of times people don't want the generic. We have compulsory interchangeability in the formulary. We only pay for the lowest-cost drugs in the formulary within a generic group. You can get the brand name if you want but you have to pay the difference. We are not denying anybody adequate and probably, in some cases, from the kinds of studies we've seen, the best therapeutic applications versus patient preference. You've done studies of the impact on food banks, and I understand that, but we've done studies on the impact on health outcomes of the difference in using these two different kinds of drugs. You can use the one that's the lower cost and get the same therapeutic outcome and the same outcome for patients, so it's patients' preference.

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**Mr Kennedy:** I guess I see some resistance to the idea. Referencing the associations, I'm just wondering, have those specific impacts — I'm not talking about the veracity back and forth of them, but certainly people and their physicians, very often their physicians, believe that their health outcomes would be worsened and therefore they are keeping with drugs that are of significant cost to them to sustain. Out of very scarce moneys they are paying for these drugs which used to be covered by the program. You're saying back that there isn't any problem with that. I'm wondering if, because the drug copayment certainly is going to be an economic problem, it's an economic program in many ways as much as a health program.

**Ms Lindberg:** If the physician wrote us and told us that it was very important that this patient have that drug and they have it under the drug benefit program or whatever, we have a process where we pay for that drug. It's called a section 8 process. We'd pay for some of those drugs that we took out under that if the physician says there would be dangers to the health outcome of the patient. However, we don't pay when the physician says, "My patient wants," versus, "My patient needs."

**Mr Kennedy:** I want to bring it away from the specific thing. I've had experience with physicians who

have had great trouble getting section 8 or anything done. I'm aware of a case that is 18 months in progress. I'm not looking at that specifically. I'd like to bring it back to the question of, will the ministry undertake specific studies to know the outcomes on the protection and promotion of health for people in your drug program of the copayment cuts? Is that something that the ministry may do? Is it a change in practice?

The auditor seems to be saying to us as legislators that there should be certain protections in place, certainly with respect to cost savings, certainly with respect to your price costs — 25% he has cited were higher than out of province — how those things are responded to. But also we're interested to know, where you are saving money, that the health outcomes are being protected. We have a massive new program affecting all of the people who are beneficiaries of your program. I'm wondering, just because I'm trying to get at how you are monitoring the health outcomes, what will you do in respect specifically to copayments?

**Ms Mottershead:** I'll respond to that by saying that our chief medical officer of health, who's responsible for looking at how well we're doing with respect to the health of Ontario's population, what specific interventions are necessary from time to time, does a lot of the research and looks at particular areas of need. His report comes out every year, in the fall.

**Mr Kennedy:** Might that include the copayments?

**Ms Mottershead:** I can certainly put the question to him. It is a determinant of health. Income and economic prosperity and so on are determinants of health, and that could be a question that I could put to him.

In terms of health outcomes, there are a number of studies that take place on a fairly frequent basis. One is called the Ontario Health Survey, and there is the Canadian Health Survey. That is done. That is not just using technical, medical or clinical kinds of information; it actually asks people on the street how well they think they're doing, when was the last time they had to have something and maybe couldn't get it. It's that kind of very personal indication and telling us what people feel and think about their health care, their health outcomes.

I just want to say that last year the provinces, all together, finished a survey of Canada's population with respect to health outcomes, and that's a published report that was made available by ministers of health last fall, September 1996.

**Mr Kennedy:** I guess I was hoping, and I still would encourage you, to look more specifically at the outcomes of specific measures this government, the past government, that your ministry specifically takes. You mentioned the reinvestment funds. In your capacity as the overall administrative officer for health, would it be possible for you to provide this committee with an idea of where the reinvestment fund commitments have been made in this year for the \$170 million taken from the drug program, for the \$365 million taken from hospitals and so on? Could we see that as a reference to understand the picture you've given us of this money and some of the outcomes which may or may not happen and which I'm recommending studies for? How can we see how that is taking place? Is there a guide that you can



give us to the reinvestments that have been made by the ministry so far?

**Ms Mottershead:** Certainly one of the guides is what has been put into the budgets of the various programs, and the estimates process that we go through is an opportunity to see that and have the discussion. The other I think you'd be very familiar with, and that is that the Minister of Health has been announcing over the last several weeks and months the level of expenditure and commitments — very, very public commitments. There are announcements that are made, there are news releases that get sent out. As late as yesterday afternoon, I believe, the Minister of Health did indicate that there was over \$680 million worth of reinvestments that were made, and we haven't even finished the 1996-97 fiscal year, which hasn't actually taken out the whole \$365 million worth of reductions in hospitals.

**Mr Kennedy:** It would be greatly appreciated if we could get a copy of the \$680 million of announcements which have been referenced, and I would much appreciate that. I hope I can have that undertaking.

We were given to understand the Ministry of Health was part of a consortium of ministries that were doing advertising across the province and that the ministry's ads were prepared but it was decided not to utilize them. I wonder if you could tell us a little bit about that program and why those ads didn't see the air and so on.

**Ms Mottershead:** I guess I have one comment and a question. The comment is that I don't know what you're talking about and the question is, what does that question have to do with public accounts today?

**The Chair:** We'll have to wait for the answer.

**Mr Kennedy:** What did they have to do with the drug plan?

**Ms Mottershead:** Or the public accounts discussion.

**Mr Kennedy:** — the ads that were pulled had to deal with the drug plan in any way?

**Ms Mottershead:** We did indicate that we were looking at a 1-800 line as a possibility for doing some customer information and education. That is one area that we are looking at.

**The Chair:** We must move on.

**Ms Mottershead:** I don't know what you're referring to in terms of ads.

**Ms Martel:** In your capacity as the chief executive officer, whatever you want to call it, for the Ministry of Health, can you tell this committee how much the Conservatives cut from hospitals last year?

**Ms Mottershead:** Last year being 1995-96 or the current year we're in?

**Ms Martel:** You have a \$1.3-billion amount that's going to come out of hospitals over the next three years. Can you give me what that is in the fiscal year we just ended? I understand that cut was just announced to hospitals across the province yesterday or so, because it was raised in the Legislature, and what is the estimated cut to Ontario hospitals next fiscal year?

**Ms Mottershead:** There was no cut in 1995-96. There is a reduction in transfer payments this year, 1996-97, and that reduction is \$365 million. The announcements in terms of the three-year reduction plan were made by the Minister of Finance in November 1995. That number for

three years has been public in that document and it's \$1.3 billion over three years.

**Ms Martel:** But you must know what the figure is for next year, because it was just released —

**Ms Mottershead:** It's \$435 million.

**Ms Martel:** But hospitals this week were told of a cut that's upcoming. What is the nature of that cut? Is it about \$463 million, \$465 million?

**Ms Mottershead:** It's \$435 million.

**Ms Martel:** What's the anticipated cut for next year?

**Ms Mottershead:** About \$500 million.

**Ms Martel:** I'm wondering if in May 1995, on a televised leaders' debate, you heard Mike Harris say that he had no plan to cut or close hospitals?

**Ms Mottershead:** Can I ask the Chair if it's an appropriate question to be asked, given that this is public accounts and that this is a discussion around drug programs?

**The Chair:** I would say that you would try and accommodate the questioner, and if you don't want to answer the question, simply say so.

**Ms Mottershead:** I have no comment.

**Ms Martel:** With respect to the drug program, would you argue or would you agree that a copayment for seniors is a user fee?

**Ms Mottershead:** I would say that it is a contribution towards the cost of your drug.

**Ms Martel:** Okay. Did you read what Mike Harris said in the Common Sense Revolution, that there would be no new user fees? He promised that to Ontarians before the last election.

**Ms Mottershead:** I don't make a habit of following political debates.

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**Ms Martel:** I don't want to be partisan today, but let's be clear, Derwyn —

**Mr Shea:** I'm making notes.

**Ms Martel:** — about the commitments that were made, because in relation to the copayment issue in particular, a very specific commitment was made by this Premier that there would be no new user fees in —

**Mr Shea:** On a point of order, Chairman: I'm quite pleased to engage Ms Martel in partisan or non-partisan debate, because I have a consummate respect for her ability and her concern for this province. I share that concern with her. I am equally concerned that we do not engage our bureaucrats in that political arena and I'm sure Ms Martel would agree with me in that regard. As she edges to the precipice, I just put that on the record, Chairman. I'd like you to make sure we support that.

**The Chair:** Very good. I suppose we'll have to strike out your own note about the NDP government in Saskatchewan.

**Mr Shea:** I'm sorry, on a point of order: Do not strike that out. I did not raise that asking them to —

**The Chair:** I think we have to move along.

**Ms Martel:** I'm sure if the deputy wants to offer observations about other governments, she would like to offer the same about what's happening in this province.

Let me ask, though, if we could get for this committee the listing of members of the DQTC at this point and their résumés. Can you also tell me, are there any vacancies right now on that committee?



**Ms Tennant:** There are no vacancies. It has 12 members and we keep it completely filled.

**Ms Martel:** Can you provide to this committee then the backgrounds of those who are on it?

**Ms Tennant:** Yes, we can do that.

**Ms Martel:** Can you also give for each of the 12 members when they were appointed and when the expiry date is due for each of those?

Also, you said earlier with respect to people who are on the Trillium drug program right now that you will be, if I understood it correctly, mailing them a request which would ask them just to send in a list of their income this year and they would automatically qualify for the program again, they don't have to fill out a new application form.

**Ms Tennant:** Yes. For people already on file with Trillium, we will be printing a form for them. What we're asking them to do is simply confirm that the information we have available is still in effect. So for a large number of people whose income will remain the same, we're using 1995-96 income, the same as we used for this year. All they have to do is sign the form and send it back.

**Ms Martel:** When will that be going out?

**Ms Tennant:** We are starting the process the week after next. We'll be issuing them in batches for ease of processing and they'll all be going out within about a one-week period.

**Ms Martel:** Will it be possible for you to provide notices to MPPs' offices that those are going out and a copy of the information that's going out to participants in the program right now, so that if we have people who have questions or indeed people who maybe lose it, we will also have duplicates in our office that we can provide to constituents?

**Ms Tennant:** Yes, we can do that.

**Ms Martel:** What are pharmacists being advised with respect to that? Are they being told that this is what the ministry's plans are so they can also tell consumers who come in who have questions?

**Ms Tennant:** We notify pharmacists instantaneously through the Health Network, through regular messages. They will be notified. We have notices going out to the Trillium applicants, to specific groups of individuals who may be interested, to the pharmacists. I think that's about it for the moment. But pharmacists will be notified. Pharmacists will also receive copies of the new 1997-98 form for individuals who don't receive the preprinted application.

**Ms Martel:** That would be helpful. If you can get that to MPPs' offices too, that would be helpful, because we receive a number of inquiries in our offices with respect to the program.

Can I go back to the DQTC? This is a follow-up to questions that were raised last week about the program. If I remember correctly, there was some conversation that the nature or the responsibilities or the mandate of the committee was going to be changed. Am I correct in my recollection of the conversation last week between yourself and one of the Conservative members? Is there a change or am I thinking about the wrong issue?

**Ms Tennant:** The DQTC is subject to sunset reviews every three years and the terms require us to look at the

role and mandate. So a sunset review is under way at this moment looking at the role and mandate. We have no doubt that some of the functions will change due to the changes in the streamlining of the drug submission process. For example, the federal government has introduced new requirements for declaring bioequivalence between drugs, which makes it easier for the province to declare interchangeability. That in turn changes the DQTC's functions.

**Ms Martel:** Who is involved in the sunset review?

**Ms Tennant:** We have a panel of four members led by Dean Perrier, who is dean of pharmacy at the University of Toronto.

**Ms Martel:** Have they just started that review or is it well under way and you're expecting a result in the very near future?

**Ms Tennant:** The first draft of the report is due next week.

**Ms Martel:** But in all likelihood it would not be that the committee itself is going to be disbanded but its mandate and its role and responsibility will be changed in response to some changes at the federal level. Are you in a position to comment on that at all?

**Ms Tennant:** I don't see the role changing that much, no.

**Ms Martel:** Can you tell me, and maybe this is not a fair question to ask, is there a community pharmacist now on that committee?

**Ms Tennant:** Yes, there is, a community pharmacist from Thunder Bay as a matter of fact.

**Ms Martel:** Do you have one or do you have more than one?

**Ms Tennant:** The committee has 12 members and we have medico-pharmaco-economic, health-economic and pharmacy membership. We only have one community pharmacist, but we also have pharmacy background. It's a more scientific or technical application, so we have a range and mix of members. The committee also uses fairly extensive reviewers or a cross-section of reviewers or other experts to enable it to complete its work.

**Ms Martel:** What tie-in do they have to the federal panel that deals with drugs that's headed by Bob Elgie? Is there any link whatsoever?

**Ms Tennant:** We have no direct link, no. We have informal links with the various federal departments with which we work.

**The Chair:** We have 11 minutes to go and the auditor has asked to address the committee for about three minutes, so whatever time is left will be split among the three caucuses.

**Mr Erik Peters:** Thank you, Chair. If there are other members' questions, of course, I don't want to infringe on your time. I just want to follow up very briefly on an answer to a line of questioning that was pursued by Mr Patten when he talked about the inspection, one of the answers he received to his question as to whether four inspectors were enough. Part of the answer was that there was also an investigations branch in being and they worked together.

I was wondering if we could possibly have some elaboration on how they actually relate and how they work, particularly in light of the fact that we expressed



concern in our report that, 70% of the prescriptions being verbal, there may be a number of false billings go undetected. I was just wondering, if the inspectors run into false billings, would they involve the special investigations branch and how does that work and when do you get to the police and how does that process work?

1150

**Ms Lindberg:** The pharmacy liaison officers, as we call them, who are inspectors, are pharmacists and we ask them to be pharmacists so they can go in and look at the records and review the records from a perspective of what would happen in a pharmacy from that kind of professional viewpoint. The inspectors in the inspection unit are special warrant type officers who actually do more of a real in-depth investigation like a police unit would.

When the pharmacy liaison officer goes in and detects a problem or sees a problem on the computer from a practice pattern, goes in and sees there could be fraudulent handwritten prescriptions by the pharmacist, which means that they've made a record that is not actually valid, what happens after some verification work is that they send it over to the inspection unit. The inspection unit then takes it on to do the work so we can get enough evidence and take enough evidence to go to the police and a warrant can be sworn out, and then we can get the police involved. There are two steps: first, our people in the drug program, then they go over and work with the inspection unit. We have a number of ongoing investigations in that kind of category right now.

**Mr Peters:** Thank you.

**The Chair:** That's it? I'll accept one question from the government caucus, and then the Liberals and Ms Martel.

**Mr Shea:** In three parts, one question: Issues were raised about section 8 and, behind that, the issue of concerns about health studies and impacts of health studies. The issue that might arise from that is whether the ministry has ever done health studies, impact studies, as a result of the cutting of thousands of beds in Ontario over the last 10 years or the delisting of drugs in Ontario over the last several years or whether the federal health ministry has ever made such studies raising that question.

In more precise terms, to go to section 8, and I want to come back into that, I'd like your comments on what the process is to get a section 8, how long it takes and whether that can be used towards a Trillium deductible.

**Ms Mottershead:** I'll pass that to Linda to give you the detail on that.

**Ms Tennant:** Section 8 is used in a number of situations, but basically it's a process by which the branch is able to seek expert advice to assess claims for drugs that aren't on the formulary. Sometimes these are brand-new drugs that a manufacturer has just brought on to the market that aren't on the formulary as yet. A physician has to send us a letter saying why, the clinical reasons the individual requires the drug. For certain drugs, we use a fax process, which takes about 24 to 48 hours. Those are situations where the individual needs the drug immediately. In other cases it can take about two to three weeks, because we do use external advice through the Drug Quality and Therapeutics Committee to assess the clinical criteria and give us a recommendation for payment. It varies. We have no backlog at this point in time for processing on a daily basis.

**Mr Kennedy:** Just to clarify, we'd like to ask that your ministry provide the data referred to in terms of the health outcomes from the substitutions of the previous government, you mentioned as where it has taken place, or the delistings, where it has been expressed that those outcomes have been benign; the detail of the \$680-million reinvestment that shows where the drug funds have gone in the past year; and the overall outlook in terms of what data, which the deputy referred to, exist around utilization in this year when the copayment program is being put in place. Is there any problem with this committee receiving that data so it can evaluate where the drug program is headed, all of which was referred to, I believe, in the testimony.

**Ms Mottershead:** We can undertake to provide you with whatever data exist.

**Mr Kennedy:** Okay. Can I take that as a yes? Those were all referred to by you or by the different directors.

**Ms Mottershead:** I've referred to a number of studies that have been conducted, I've referred to the health survey, I've referred to the network where we get information. There is some information that does not exist in a form that you could see or benefit from, for example, the drug network. We go into it, we look at it, we've got inspectors who look at what's going on, but there isn't a report or data collection that's done on that per se.

**Mr Kennedy:** With your indulgence, Mr Chair.

**The Chair:** I'm sorry, I want to be fair on this, Mr Kennedy. Ms Martel, please.

**Ms Martel:** I wonder if you can provide to the committee how many pharmacies of the total number operating in the province are actually waiving the copayment, if you have that information, because I heard you, Ms Tennant, say that the ministry did know there were some that were waiving a fee and I don't know if you have a listing of that. I'd be interested to know what the breakdown is between the pharmacy in Wal-Mart, for example, and community pharmacies doing that.

**Ms Tennant:** I'm afraid we don't have a list, because it's not something we require. We know from the publicity that was given that Wal-Mart, Loblaws and various other places advertised directly to the public that they were waiving the copayment. The other information that we received, quite frankly, is anecdotal or experiential and we have no numbers.

**Mr Shea:** On a point of order, Mr Chairman: Will I have an opportunity to ask for further information to be tabled along with Mr Kennedy? It's a good question.

**The Chair:** Mr Shea, I would like to tell you about next week's meeting. Then if there's time, by all means.

**Mr Shea:** Can I just be clear about your response to my question?

**The Chair:** I did say if there is time after my announcement, then you can ask Mr Kennedy or whomever your question.

**Mr Shea:** I just want to add on, asking for more information for the committee.

**The Chair:** Let me read what our agenda will be next week. February 13 we'll be looking at section 3.12. Today will conclude 3.13, and next week we'll be looking at assistive device services activity with the same

ministry again. We'll start with a 30-minute closed session, and then we'll carry on with the review of the section. Mr Shea.

**Mr Shea:** Chairman, I appreciate that. I wanted to pick up on the point and ask the deputy minister, having been asked for any information or studies of health impacts, whether or not they would have any such studies on health outcomes provided by the federal government. I assume the federal government would be even more interested in doing such studies, and if they have them, perhaps they would provide them. If the deputy minister also has received any of those health outcome statements from various food banks and if they've been subjected to any empirical evaluation, can we have them presented for

analysis as well? Any of that which has been brought forward, but particularly federal government.

After all, it's the one where the federal Minister of Health has said that Ontario's health system is in good shape, so I'd like to see what they have said in response to the issues such as health outcome of the cutting of beds, the delisting of drugs and so forth in the past, as well as what may be alluded to today. If that could be tabled, I'd be most indebted.

**The Chair:** It being close to 12 o'clock, and we'll be called to vote on private members' issues in a very short while, this committee stands adjourned until next Thursday, February 13. I thank you very much.

*The committee adjourned at 1158.*



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**Substitutions present / Membres remplaçants présents:**

Mr Gerard Kennedy (York South / Sud L) for Mr Lalonde

Mr Wayne Wettlaufer (Kitchener PC) for Mrs Elliott

**Also taking part / Autres participants et participantes:**

Mr Erik Peters, Provincial Auditor

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## Assemblée législative de l'Ontario

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# Official Report of Debates (Hansard)

Thursday 13 February 1997

# Journal des débats (Hansard)

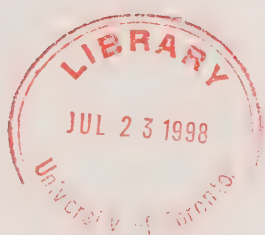
Jeudi 13 février 1997

## Standing committee on public accounts

1996 annual report,  
Provincial Auditor

## Comité permanent des comptes publics

Rapport annuel 1996  
Vérificateur provincial



Chair: Bernard Grandmaître  
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## LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON  
PUBLIC ACCOUNTS

Thursday 13 February 1997

## ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

COMITÉ PERMANENT DES  
COMPTES PUBLICS

Jeudi 13 février 1997

*The committee met at 1043 in room 228, following a closed session.*

1996 ANNUAL REPORT, PROVINCIAL AUDITOR  
ASSISTIVE DEVICE SERVICES ACTIVITY  
MINISTRY OF HEALTH

**The Acting Chair (Mr Pat Hoy):** Good morning and welcome to the standing committee on public accounts. We would ask, as you begin, that you introduce yourselves. We'll allow 15 minutes for your presentation and there will most likely be some questions after that time. I leave it to you.

**Ms Margaret Mottershead:** Thank you, Chairman. I'm Margaret Mottershead, Deputy Minister of Health.

**Mr Mark Cox:** My name is Mark Cox. I'm the director of the assistive devices branch in the Ministry of Health.

**Ms Mottershead:** I'd like to start off by giving the committee some context around the assistive devices program and a little bit of history so that when it comes to having a discussion, there is a little better understanding of what this program is all about.

The assistive devices program and the home oxygen program are administered by the assistive devices branch, and Mark Cox is here with me to answer any questions you may have.

The ADP itself was introduced as a program in 1982, in response to the International Year of Disabled Persons, to assist parents of children who had physical disabilities with the high cost of assistive devices.

During the 1980s, as funding became available to government, a process got started in terms of gradually including adults on certain devices, and also expansion of other assistive devices in other categories happened.

I can let you know that there have been a number of changes with respect to home oxygen, which began in 1974 as a benefit under the Ontario drug benefit program for seniors, people on social assistance or home care or residing in long-term-care facilities. It was also at that time a benefit under the assistive devices program with a 25% copayment for those born after July 1, 1963. In April 1994 home oxygen was removed from the list of ODB benefits and all home oxygen funding was consolidated under the home oxygen program. As a result of this change, no one lost benefits that they previously had; however, coverage was extended and in fact increased by 75%.

The objective of both the assistive devices program and the home oxygen program is to financially assist Ontario residents with long-term physical disabilities to obtain basic, personalized assistive devices appropriate

for the individual's needs and essential for independent living. Devices covered by the programs are intended to give people increased independence and control over their lives. The devices allow them to avoid costly institutional settings and remain in a community living arrangement.

The assistive devices program covers over 15,000 separate pieces of equipment or supplies in the following categories: prostheses; wheelchairs/mobility aids and specialized seating systems; ostomy and enteral feeding supplies; needles and syringes for insulin-dependent seniors; hearing aids; respiratory equipment; orthoses — braces, garments and pumps; visual and communication aids; and incontinence supplies for those born after July 1, 1963.

The home oxygen program pays for oxygen and oxygen delivery equipment such as concentrators, cylinders, liquid systems and related supplies, such as masks and tubing.

Insured persons who have a physical disability of six months or longer are eligible for the assistive devices program. Equipment cannot be required exclusively for sports, work or school. Residents with a primary diagnosis of a learning or mental disability are not eligible for ADP, as are those on workers' compensation. There are specific eligibility criteria which apply to each device category and which are usually medically based.

The home oxygen program is available to anyone who is insured and has a chronic illness or dysfunction that requires long-term oxygen therapy. Funding is also available for short-term use by those on palliative care.

For the assistive devices program, initial access is often through a medical specialist or general practitioner who provides a diagnosis. In most device categories, an authorizer assesses the specific needs of the person and prescribes appropriate equipment or supplies. Finally, a vendor sells the equipment or supplies to the client.

Most ADP devices must be authorized by a qualified health care professional registered with the program. There are currently over 5,000 registered authorizers working in hospitals, home care agencies or private practice.

The program will only help pay for equipment that is purchased from the vendors registered with the assistive devices branch. In some supply categories, such as ostomy and incontinence, clients receive a grant and can purchase the supplies from whomever they wish.

ADP pays up to 75% of the cost of equipment and supplies, such as artificial limbs, orthopaedic braces, wheelchairs and breathing aids. For others, such as hearing aids and breast prostheses, the ADP contributes a fixed amount of money. With regard to such items as ostomy and incontinence supplies and needles and



syringes for seniors, the assistive devices program pays an annual grant directly to the person.

#### 1050

The home oxygen program pays 100% of the cost of oxygen and related equipment for seniors and those on social assistance, home care or residing in a long-term care facility, and 75% for others. A doctor's prescription is required and applicants must meet internationally accepted medical criteria.

The assistive devices branch also provides a grant to the Canadian Diabetes Association that allows it to reimburse insulin-dependent diabetics for 65% of the cost of monitors and test strips up to a certain maximum amount per year.

I would like to also mention to the committee that a number of improvements have been made in the management of this program over the last several years. We have introduced a number of measures that improve the administration of the program, the cost-effectiveness, and result in better accountability for the funding spent on this program on behalf of the taxpayers of this province.

I'd like now to turn it over to the director of the branch, Mark Cox — I believe there is some time left in the presentation — to directly address the recommendations that have been made by the Provincial Auditor in his report and to provide a little more context and a fuller response to some of those recommendations.

**Mr Cox:** There were six specific recommendations in the Provincial Auditor's report, and I'd like to brief you quickly on what steps we've taken to take action based on those recommendations.

The first one was a recommendation that we ensure consistency and fairness in the program. This requires a review of eligibility requirements and funding. The ministry has been acting on this recommendation, has been addressing it through its business planning process.

The program, as the deputy noted, started in 1982 as a children's program. As funding became available and as the health delivery system was able to accommodate expansion, funding was gradually extended to adults, starting in the mid-1980s and continuing to this day. When we extended to adults, the costs, as you can appreciate, increased dramatically, 10- or 20-fold, and this is the main reason it's taken so long to fully extend the children's benefits to the adult population.

There still remain two areas where there are age restrictions in effect: The incontinence program is only available for people born after July 1, 1963; and in the wheelchair program, we restrict funding for adults to adults who can actually independently move the chair. We don't pay for chairs if they're just required to move people from one place to another; they have to be able to independently manoeuvre.

We have been looking at options for finding the extra minimum \$30 million we'd need to finish off age expansion. We can either water down the benefits for everyone, if we're going to do it within the current \$80-million assistive devices allocation, or you could look at options — and these have been addressed previously — by doing something through the tax system, treating it as a taxable benefit so that those who are better off income-wise are paying some of it back. Another option we're

looking at is whether to base eligibility on income, and that has some problems.

The second recommendation of the Provincial Auditor dealt with eligibility criteria around the home oxygen program, suggesting that the ministry implement some guidelines to do independent determinations of eligibility and to assess whether the appeal process is working effectively.

The current delivery system for the home oxygen program has a physician determining whether someone meets the medical criteria. The problem is that most physicians only prescribe oxygen for a couple of patients a year and they don't fully appreciate what the medical criteria are, so they rely on advice from respiratory therapists who work with the suppliers to determine whether someone meets the criteria.

Because of this delivery mechanism, we feel there are probably more people on the program than should be, and since it's costing us \$5,100 a year for each person on the program, we are looking at the idea of conducting some independent assessment pilot studies where we use health care professionals employed by the ministry to use standardized assessment protocol to see if the applicants assessed by independent facilities are as likely to qualify and/or stay qualified as those who are assessed through the current delivery model. These pilots should start this spring. We're looking at the possibility of using the existing community health centres to minimize the cost of conducting the pilots.

In terms of appeals and why physicians' appeals are usually successful, it's primarily because most physicians, if they have someone denied funding for oxygen because they don't meet the criteria, will phone us. They'll ask us, "Why isn't my patient eligible?" We'll explain to them the criteria. We'll explain what information we need to accept someone for funding. The physician is left with the choice of whether they then feel their patient meets the criteria. If they feel they do, they'll send in that extra information. So we find that in most cases they're sending the information to us only if they know for sure that someone is going to meet the criteria. That's why we found most appeals were successful.

There are also still approximately 4,000 people on the program who have never met medical criteria. They were on the program before we started introducing medical criteria and we found that it is very difficult to wean them off the program. Physicians who appeal these cases are usually successful just because a psychological dependence on the oxygen has been built up in the patient and we end up approving them.

There was a recommendation on incontinence supplies. We've started implementing that. If someone asks for a higher-level grant because their medical condition has changed, we ask for confirmation from a physician for that. There are not many people who do have their condition changed. Once you're incontinent you usually require that type of supply for life, or you wouldn't be on the program in the first place.

Pricing for home oxygen: We have reviewed the costs related to oxygen concentrators versus the liquid oxygen system. The ministry's average payment for oxygen has dropped from \$613 a month in 1991 to \$425. That's the



rate that will be effective April 1, 1997, a single flat rate of \$425.

We have been successful in getting a shift of people off the more expensive modalities on to the cheaper modality and we've more or less met our target of having 35% of our expenditures on liquid, which is an internationally accepted figure.

Blood glucose testing strips: The auditor was recommending that we amalgamate our various programs for paying for test strips. The ministry has made the decision they will do that and this spring they'll be looking at options on how best to do that without taking benefits away from existing recipients.

The final recommendation dealt with tax treatment of grants. This is a suggestion by the auditor that we should notify our grant recipients that they're not eligible for a tax deduction to the extent of the grant. We've done that in a letter to each of our 35,000 people on the grant program and we've built it into our application form so that people will know up front that they can't claim for tax purposes the money that's paid out by the ministry as a grant. They can claim anything above that.

That concludes my remarks on the audit findings.

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**The Acting Chair:** Thank you very much. We would open it up to questions. As I mentioned, we'll do it by a show of hands in no particular rotation.

**Mr Derwyn Shea (High Park-Swansea):** I want to ask you a question about the qualifications for assistive devices. We're all aware that there are a number of different agencies that may very well fund assistive devices. It could be the Workers' Compensation Board, it could be veterans affairs; a whole broad range that are not just provincial but federal and charitable and so forth. Deputy Minister, do you have a mechanism in place that in the first instance indicates to any applicant that any request for assistive devices should be directed to any funding source other than a provincial funding source, if they are qualified, and do you determine if they are so qualified?

**Ms Mottershead:** I believe that a lot of people are aware of supports they have in their communities, whether it's Rotary clubs or March of Dimes or other organizations, and quite often they are approached and are told about other possibilities for funding assistance. As I mentioned, there are other sources. We have brochures, and I think Mark is going to show us one of them, where that kind of identification is made and people are made aware that there are other sources of help in their community, but by and large we find that when a person approaches the assistive devices program they have also explored other possibilities.

In looking at the kind of clients that come to the program, they're not people who would be really well-off. The very rich do not access this program. It is government support of a last resort. I'll ask Mark to add some more comments to that.

**Mr Cox:** We make it clear in our fax sheets and in our application forms that if you're eligible for workers' compensation benefits or department of veterans affairs benefits, you should go to them first. Most people will do that anyway because our program has a copayment where

you pay a minimum of 25% in most device categories. Those other programs tend to not have a copayment. Generally, if you're eligible, you would certainly go there first and not have to pay any of the cost.

**Mr Shea:** Let me pick up on that for a second, because while I understand the deputy minister's response in terms of the more affluent, veterans are not always affluent, as a case in point. Let me rephrase this, because you used the operative word that got my attention; you used the word "should." Does the ministry in fact make it very clear that you "will" apply for these devices to other funding sources and that your program is the program — I don't want to phrase it as "last resort" but the one that would be junior in application?

Is there a form, is there a mechanism that ensures that there is an appropriate, clear, consistent policy followed in terms of application, and that the applicant has given the ministry an undertaking that they have either explored or are not qualified to pursue any further direction in that regard, and so it's now then appropriate for your ministry to respond appropriately? Is that mechanism formally in place?

**Ms Mottershead:** First of all, I'd like to say with respect to workers' compensation, if you're on that system you're totally ineligible for this program. That is one of the eligibility criteria in the application form, so if you're a recipient of other benefits, also funded by other sources, you're not eligible.

**Mr Shea:** There's no way anyone could slip through the web on that?

**Ms Mottershead:** I suppose there could be a risk of that happening but it's not likely. Mark, do you want to add to that?

**Mr Shea:** As Mark is trying to find the other information for that, could you just help me understand, as a novice, how a person is likely going to get caught or identified in the system, so that they would not be weaving their way through?

**Ms Mottershead:** As was mentioned earlier in terms of the eligibility, a physician has to make a diagnosis, and the physician normally knows, or should know, that there is a different protocol in treatment — and we'll stick with the workers' compensation issues for a moment — that workers' compensation cases are treated differently. If they're a physician in the community, that particular consultation around workers' compensation has to be recorded and a claim for the consultation or the diagnosis or whatever is sent directly to the Workers' Compensation Board rather than the ministry. They know that. They have a different form to deal with their payment for providing that particular consultation.

Similarly, in the hospitals you have exactly the same thing. You are required to identify whether a particular accident which got you into the hospital was on the job, ie, workers' compensation or not. There are signs that are posted that say to identify whether you are or not. On the medical side, that is one of the key areas that makes that determination.

Mark may have other things to add in terms of the branch itself.

**Mr Cox:** I just wanted to say that people sign the application form verifying that the information is correct,



and one of the questions we ask is, "Are you eligible for workers' comp or veterans affairs?" What we don't have yet, and this is something that came out in the audit, is the capacity to share information with those other jurisdictions to see if someone is accessing both programs.

**Mr Shea:** That's what I was leading towards. Are you in the process of trying to establish such a protocol?

**Mr Cox:** Yes. We're starting the process as we reprint the application forms. We put a statement in there that allows us to share that person's information with other third-party providers.

**Mr Shea:** I'm comforted to hear that. If I can ask you to pick up on one point, Deputy Minister, you talk about the physicians. Do you, from time to time, do a scan of physicians' requests and recommendations to determine if there's any pattern of potential abuse, through ignorance or whatever, excessive use of systems, to determine if there's a need to provide physicians any additional education? Do you have a system in place to monitor?

**Ms Mottershead:** As a matter of fact, we have sent letters on the topic to physicians to make sure that they really are aware of the program, its nature, the context of its application to clients they see. Mark can elaborate further because we have taken some initiatives on that front lately.

**Mr Cox:** We have an audit program in place and we monitor physicians' patterns. We find that people a physician has authorized always tend to go to a certain vendor. We would investigate and ask questions of the vendor and the physician. We check to make sure that people aren't signing the forms in the physician's spot on behalf of the physician. We have found that this is a real problem in our home oxygen program, where doctors don't understand fully the medical criteria and are relying on the staff of the suppliers to do a lot of the assessment work, even to the point where they're letting the assessor staff sign the form. That's a big concern to us and when we find that we bring it to the physician's attention and try to educate them a little better on the criteria.

**Mr Shea:** Has that happened with any frequency?

**Mr Cox:** No.

**Ms Mottershead:** If I can just add to that, there has been a concerted effort with respect, for example, to the home oxygen program to send a letter to every physician and every client of the program to explain and reinforce to them the criteria, the eligibility, the medical rules around that, including the preparation of fact sheets and handouts that people can refer to in case they forget and misfile the letter or whatever. There's a permanent fact sheet that they have in their offices.

**Mr Shea:** Home oxygen program — sorry?

**The Acting Chair:** You have been about 10 minutes and I would like to give each member who wants to speak about that time. My indication is that you would have time yet to come back to if you have further questions. So I'll move on to the other members.

**Mr Bruce Crozier (Essex South):** Good morning. I want to see that I fully understand the funding for the home oxygen program. I have here, supplied by research, the Ministry of Health estimates for 1996-97, if I could refer to those. The 1994-95 actual in the home oxygen program was approximately \$68 million. Then 1995-96

estimates, about \$77 million. Is that what 1995-96 came in at, around the \$77-million mark, do you know?

1110

**Mr Cox:** It came in at \$56 million.

**Mr Crozier:** Oh, so the interim actuals aren't partway through the year; that's the actual.

**Mr Cox:** The 1995-96 actual is \$56 million and change.

**Mr Crozier:** Good. The 1996-97 estimate is around \$60 million, so a slight increase over that.

What accounted for the significant reduction, even from the 1994-95 actuals, of about \$12 million?

**Mr Cox:** It was primarily the application of medical criteria. Prior to 1991, the ministry did not use medical criteria to determine if someone was eligible for funding under the home oxygen program. Starting in late 1991, we began to apply the criteria. The ministry started slowly, publicizing the criteria, working with doctors to educate them. Beginning in the mid-1990s, we started enforcing strictly the criteria. There was a significant drop in expenditures about that time. In 1992-93 we spent \$84 million on this program. Then it went to \$69 million and then \$56 million and this year it'll be in the low 50s.

The other factor was that we negotiated much lower rates with the oxygen suppliers. We dropped the average monthly rate from \$613 down to \$425, the current average monthly payment.

**Mr Crozier:** The medical criteria that you strictly enforce would be for new recipients under the program? Because you mentioned that there were a number on the program who don't qualify but are there because they have been dependent on it. As I think you said, it's difficult to wean them off. So these criteria would be applied to new recipients. Is that the case?

**Mr Cox:** That's correct. We're much tougher on the new. We try on the renewals. There's an annual renewal to maintain funding and we try to work with the doctors on the renewal. We ask for some evidence that the oxygen is providing benefit if someone is borderline in terms of meeting the criteria. In some cases, we're successful. The ones where we've had the most difficulty are the ones that came on to the program before 1991 who are still on, who never had to meet medical criteria, even loosely applied. There just weren't any medical criteria.

**Mr Crozier:** Help me, as a layperson, with the medical criteria. It has something to do with a blood oxygen reading. There is a figure I've dealt with that I just would like you to help me recall.

**Mr Cox:** If you're an adult, you have to have a blood gas test and it has to register 55 milligrams of mercury or less. If you're in the range of 56 to 59, you will be eligible if the doctor can provide documentation that the oxygen is providing some benefit to you, some proof.

**Mr Crozier:** That was it. What was the term again?

**Mr Cox:** It's your blood gas; it's an arterial blood gas test.

**Mr Crozier:** Blood gas test, okay. Because I have encountered that with constituents who, notwithstanding the blood gas test, have appealed to me, and I suppose perhaps even appealed through their physician, to be reconsidered.



There seems to me to be some concern about the relationship between physicians and the respiratory therapists and the suppliers, I guess. Are the respiratory therapists employed by the suppliers? Do they benefit directly from the sale of oxygen?

**Mr Cox:** The Provincial Auditor found that 75% of people were being tested by employees of the suppliers. If you're an employee of the supplier, we have heard from the respiratory therapists that there is pressure put on them, from time to time, to make sure that if someone's close they will meet the criteria. It's inevitable. It's a possible conflict of interest. It's something we've been dealing with the new College of Respiratory Therapists of Ontario on. They're concerned about it, their members are certainly concerned about it, and that's why we would like to try this independent assessment approach.

Ontario still has far too many people on its home oxygen program, based on international comparisons. France, for example, has 300 people per million of population. The United Kingdom has 140 per million of population. We have 1,400 per million. The United States only has 1,000 per million. So we feel that with these independent pilots — and the suppliers, as you can understand, are very anxious about these pilots. They've seen their revenues drop considerably in the last few years, so we've had to be very careful to work with them to get them on side in terms of how we're going to conduct the pilots so that they're done fairly and with the support of the industry.

**Mr Crozier:** Air quality is of course a concern in the southwestern part of the county. In my riding there have been some rather alarming statistics recently with regard to air quality, health and so forth. Do you have any information as to whether regions of the province are more prone to this higher-than-international-average use of oxygen?

**Mr Cox:** In analysing our statistics, we found there are areas of the province where a higher portion of the population is on the home oxygen program. We've noticed it in the Hamilton area, the London area and Kingston in particular.

**Mr Crozier:** Is that right? I can understand Hamilton, being an industrial city, but then when you get into London and Kingston, that's interesting.

You said that you're going to look at the program and have a pilot to do the assessing differently, but I thought that you mentioned earlier that the pilot would be employees of the ministry. Is that correct?

**Mr Cox:** I'm sorry, sir. What I meant to say was that they would be paid by the ministry. They wouldn't be on the payroll of the ministry. They're independents who would be reimbursed for their services rather than the suppliers reimbursing the person who does the test. We thought if we reimbursed the person, we might find fewer people qualifying — we might.

**Mr Crozier:** Physicians are paid by the ministry, right now respiratory therapists are indirectly paid by the ministry and yet this independent group is also going to be paid by the ministry. The objective is fairness and based on need, and I appreciate that you are trying your best to do that. It's just that you're certainly moving away from the physicians, and they're the primary care-

givers and they're the ones the patient has the most faith in, I think, their own physicians. What kind of a problem do you see there if you find that this independent testing further reduces use? How do I feel, I wonder, as a patient saying, "Gee, maybe they're just looking at that bottom line and have a directive to reduce costs in this area"? Do you think that might be a problem?

**Mr Cox:** Since oxygen is a drug, a physician would always have to sign the application form. So physicians would be part of this team that's going to be doing the independent assessments. That was the thought. In looking at the pattern of oxygen prescriptions by physicians, most are doing one or two a year. There are very few who are doing hundreds a year. One or two in the whole province are doing more than 20 a year. We felt that if we had in each geographical area some physicians who were specialists in interpreting the oxygen medical criteria and could work with a respiratory therapist or two who would do most of the testing and interpreting of the tests on behalf of the physicians, it might be a better delivery system in terms of reducing expenditures.

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**Mr Marcel Beaubien (Lambton):** Good morning. I guess my first question will be directed at Mr Cox. Looking at your expenditures, the actual budget for 1994-95 was \$148 million and the actual for 1995-96 is \$139 million, which is a reduction of about 7%. First of all, how many employees would you have in your branch, roughly?

**Mr Cox:** We have 48 now; we had 59 a year ago.

**Mr Beaubien:** If \$56 million is spent on the home oxygen program and that is an item in your budget which is negotiated for a period of time — I think the last negotiation for the oxygen price was in 1991 or 1993.

**Mr Cox:** The last one was last month.

**Mr Beaubien:** How long is the agreement for?

**Mr Cox:** The current agreement goes to March 31, 2000.

**Mr Beaubien:** So it's about a five-year, roughly.

**Mr Cox:** It's a three-year.

**Mr Beaubien:** You spent \$56 million on this. You also have assistive devices, a total of \$79 million, which are prescribed in most cases by physicians, or somebody. Am I correct in assuming that?

**Mr Cox:** Most cases are prescribed by what we call an authorizer who isn't a physician.

**Mr Beaubien:** But they're prescribed by someone somewhere?

**Mr Cox:** Yes, a health care professional.

**Mr Beaubien:** You have 48 people working in the department. What do they do? If we take \$79 million and \$56 million, that's about \$135 million. The oxygen contract is negotiated for a period of three years. The assistive devices are prescribed by someone outside the department. What do these 48 warm bodies do within your department?

**Mr Cox:** The 48 warm bodies represent less than 3% of our total cost and what they do is process claims because each one of these is a piece of paper that has to be reviewed and either approved or denied. They pay invoices from suppliers, issue grant cheques to consumers. They review products to make sure they're safe



and will do what the manufacturer says they will do before we list them with our program. They answer questions from the public about how to access the program, what we cover. They work with health care professionals whom we have registered as authorizers to make sure they understand what our eligibility criteria are. They conduct workshops throughout the province on a regular basis. They negotiate pricing with manufacturers and distributors.

**Mr Beaubien:** On the last contract you negotiated for oxygen you said you saved \$12 million mainly because of a better deal with the suppliers. Am I correct?

**Mr Cox:** That, and the medical criteria.

**Mr Beaubien:** You also mentioned that some physicians are having difficulty in assessing the patient because the critical mass is not there in dealing with lung capacity. I don't recall the proper name, but we have lung capacity technicians or technologists in many hospitals today and I would imagine these people would be fairly well qualified to assess a patient.

**Mr Cox:** Yes.

**Mr Beaubien:** Does the physician rely on their expertise to prescribe oxygen or do we rely mainly, as you pointed out, on the employees of the suppliers of the oxygen?

**Mr Cox:** First time through, generally people are coming on to the program as they're discharged from the hospital. In many of those cases, it's the respiratory therapists who work for the hospital who are doing the assessment. It's the annual renewal where we have the biggest problem because on annual renewal we don't require one of these blood gas tests which have to be done in the lab and we don't require that someone go back into a hospital.

The renewal just requires that someone be administered what's called an oximetry test, which is an instrument that goes on the end of the finger or on the earlobe and it registers a certain level. Those instruments are subject to manipulation. They're easy and the ranges are not very precise. That's where we think we have the problem because it's generally the supplier's respiratory therapist, the employee of the supplier who's doing that test and determining whether someone qualifies to stay on the program for yet another year.

**Mr Beaubien:** Another question, and Mr Crozier sort of touched on this briefly, but with regard to negotiating a liquid oxygen contract with the association, I have great difficulty with this because I think it has been pointed out that in the past year you've been able to save substantially on the cost of oxygen by being able to negotiate a better contract. My gut feeling is there's probably a better deal to be had.

I can give you an example, and probably Mr Crozier's quite aware of this, we both probably belong to an association where the association had negotiated a corporate rate for rooms in Toronto when we were here on business, but in most cases I could negotiate a better deal on my own than what the association had done. What is your vision of the future in dealing with a supplier of oxygen? Because the way I look at the deal right now, you're giving somebody a blank cheque. You're giving somebody a key to the bank to go in and help themselves.

**Mr Cox:** I'm sorry, are you suggesting that the rate is still too high? Is that what you think?

**Ms Mottershead:** I don't think that the members are aware of the contract that was just recently negotiated in the last, I would say, less than 60 days. Mark, maybe you should give members an overview of the contract and the new pricing arrangement because the prices have been substantially reduced in this new contract.

**Mr Beaubien:** If we negotiate with an association, how do we know we've got the best price, our best bang for the buck?

**Ms Mottershead:** First of all, we have looked at the actual cost and we do the audits and evaluation on what costs are there for oxygen in cylinders, liquid oxygen and all of that. We know what the trend is and what the track is. We have done a review of costs in other places and know where we are in a range or out of a range, and certainly this time around we made a distinct determination that there could be significant savings and that we would get a better bang in terms of the contract by combining the two categories of oxygen, liquid and cylinder, into one. In that way we got a substantial price decrease.

Clearly, if any group of patients migrate to one type of oxygen or another type of oxygen, there will be fluctuations. In one instance, it could be that the government may be paying a little bit more on the contract than they should, but on the other side, if they migrate to another type of oxygen, it means that the association we contracted with could stand to lose substantially from the contract that they've signed over the three years.

It is a risk, and they've entered into this knowing full well that there is a big risk factor to their receipt of the contract from the government. So it works both ways. Mark can get into the specific numbers, but in looking at the contract, I was certainly satisfied that we were getting the best price possible.

**Mr Cox:** Just to elaborate on what the deputy said, it's very hard to compare our price to other jurisdictions because our price is an all-inclusive price. It doesn't cover just the oxygen, it also covers the equipment, the cost of delivering tanks to the home several times a month, the cost of the professional services, supplies such as tubing and masks. Other jurisdictions negotiated a much better price on just the oxygen than we have, but they don't have this all-inclusive package that we pay for in our monthly rate. We haven't found a jurisdiction that compares equally that way.

I'm sure the price could be reduced even further but you have to keep in mind what has happened to this industry. There were 140 companies that supplied home oxygen in Ontario five years ago. They're now down to less than 80, and that reduction of \$30 million a year so that we're spending less on oxygen now than we did four years ago has had drastic effects on employment in that industry. We're trying to ease it down gradually rather than doing everything all at once and just have the whole industry disappear.

**Mr Beaubien:** Another brief question: I think you mention with regard to the criteria for qualifying that you have difficulties in using a financial benchmark to qualify somebody for the program. Why is that?



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**Mr Cox:** Problems that have presented to us in the past have suggested that maybe we should use income or means as a determinant of eligibility, but the administrative cost of getting involved in a means- or income-tested program is something to consider.

The other factor is that there are people who are relatively well-off but if they themselves have, or have a child who has, a severe or multiple disabilities, the costs can be quite substantial. You can be looking at a wheelchair that can cost as much as \$20,000. If you happen to also be an amputee, you can be looking at an artificial limb that could cost as much as \$15,000, and you might need vision aids, communication aids, ostomy supplies. It can be very expensive, and if it's a child and they're growing, every year or two you're faced with this expenditure. That has been one of the drawbacks.

The deputy has reminded me that the other factor is that since you need equipment generally only — if you're an adult — every three to five years, there's a thought that people might wait until their income is very, very low to come into the program. It's different than drugs, where you generally need that level of drugs every year for life. With equipment, there's this effect where it's every so many years you need it. People might just time their entry into the program in a year in which their income is artificially low.

**Mrs Brenda Elliott (Guelph):** I'm just trying to figure out the cost of this home oxygen. Am I right in remembering that you said that the cost per month is now \$613?

**Mr Cox:** It's \$425.

**Mrs Elliott:** That's the new price?

**Mr Cox:** Yes. The average was \$613 in 1991, so it's dropped about 30%.

**Mrs Elliott:** So you've combined the liquid oxygen and the concentrator price, essentially, to come up with something new. The \$425 accounts for everything. Is that correct?

**Mr Cox:** We used to have a rate for concentrators and a different rate for liquid. We now, starting April 1, 1997, as a result of the new contract just have a single rate so the supplier gets paid \$425 a month. That gets us out of the adjudicating of modality and allows us more time to do these independent assessments and education of physicians.

**Mrs Elliott:** Right. So it's about \$5,000 a year for the cost of the oxygen. I'm curious that the cost of the concentrator — I see from an administrative point of view you're looking for cost savings, and yet the concentrator, with a life cycle of five to seven years, the cost of purchasing that was up to \$1,500.

**Mr Cox:** That's correct.

**Mrs Elliott:** You figured this all out very carefully.

**Mr Cox:** Well, the \$425, as I indicated, is supposed to cover a lot more than just the concentrators. It's to cover the cylinders that you need for emergency backup, or in case you want to go out for a walk and you can't take your concentrator with you, because that's a machine that plugs into the wall. It covers the costs of respiratory therapists going to the home a couple of times a month, the technicians that have to come to clean the machine, masks, tubing. It's an all-inclusive price, 24-hour emer-

gency service, that sort of thing. So yes, the \$425 seems very high when you look at it just in terms of the cost of the concentrator, but there's more to it than that.

**Mr Shea:** Very quickly, to make sure I'm very clear about a point, you did say you're now on track to achieve your 35% modality in terms of the oxygen?

**Mr Cox:** In terms of the liquid oxygen.

**Mr Shea:** Are you there yet?

**Mr Cox:** We're getting very close because we're finding that as new people come on, they're less likely to be on liquid, so another year or two and we'll be there.

**Mr Shea:** How close are you right now?

**Mr Cox:** Our target is to have 35% of expenditures on liquid. In 1991 it was 56% of clients; 72% of expenditures were on liquid. Last year 51% of our expenditures were on liquid, although for the new clients only 34% of expenditures were on liquid. So for new clients, we're there. It's the older ones —

**Mr Shea:** I appreciate that and I would answer the same way if I were in your seat. What I'm asking you to come back to is, where are you in terms of the 35% overall target? Would I take it from you're still in the high 40s?

**Mr Cox:** That's correct. Now, of course, with this new flat rate, we don't care any more about that particular target.

**Mr Shea:** You allow me now to segue into my last question and I appreciate that. Thank you. I thought you'd never get there. Let me ask you about your new price rate. Just how competitive is that? Can I take it that you do RFPs? Can I take it that you put out calls for submissions? Do I take it you go to the oxygen supply as you do with anything else?

**Mr Cox:** No, sir, we don't. We negotiate with the association that represents the oxygen suppliers, just like the ministry negotiates with the pharmacists around the dispensing fee and the doctors around the —

**Mr Shea:** So I'm dealing with a combine. When I'm saying "I," I'm speaking in your sense. You're dealing with somebody who controls oxygen.

**Mr Cox:** That's correct.

**Mr Shea:** It's either God or some association that's got a hand on this. Tell me, is this combine a national combine?

**Mr Cox:** No, there's no national association of the suppliers.

**Mr Shea:** There's a provincial one, is there?

**Mr Cox:** Yes.

**Mr Shea:** How long has it been in place?

**Mr Cox:** I've been dealing with oxygen since 1989, so it's at least that long.

**Mr Shea:** Really? That's intriguing.

**Mr Cox:** In Ontario the suppliers, I should mention, are owned by the multinational companies that produce the gas and the equipment.

**Mr Shea:** Could you go to any other source?

**Mr Cox:** Not really, but if the ministry wanted to it could tender the service. It's a thought we've had of tendering the service. Again, that frightens the industry because it would drive the price down even further and speed up the process of consolidating the industry.

**Mr Shea:** Is that a good thing or a bad thing?



**Mr Cox:** Well —

**Mr Shea:** I'm taking you into some dangerous waters here that for me are rather interesting because I don't understand all of the implications in terms of structuring. The auditor may want to bring me back to this at some other point because I'm sure he understands it entirely and I'd like to know the industry structure and the implications and so forth behind all of this. Do I gather this is a fairly complex issue that I am dancing in?

**Mr Cox:** Yes.

**Mr Shea:** I need your guidance, Chairman. I don't want to let this issue go but I'd like to have some time to at least perhaps discuss this a little bit more because I don't want to take up the committee's time on getting myself up to speed a little more quickly.

I'm intrigued in your response about the possibility of RFPs or of tendering and how you may proceed with that. Could I ask you to just give some sort of written information about what might be some thoughts about where you might want to proceed — we're not pinning down the minister or anybody else just at this point — without walking us into any unusual waters. It might help me to start to ask some more effective questions, if you follow what I'm trying to say in an oblique fashion. Could that be done?

**Ms Mottershead:** We could certainly provide you with information in terms of the industry, who the industry players are, what their connection is to the association, what its objects are, what we're trying to do in terms of a contract versus other mechanisms.

**Mr Shea:** That's why you're a deputy minister, because you put that in a better framework than I was putting it. Could you add to that perhaps some comparison to what's happening in other jurisdictions?

**Ms Mottershead:** Yes, we would be pleased to do the other jurisdiction comparison for you.

**Mr Shea:** Please, and I don't mean just Canadian either. Can you also look at Europeans?

**Ms Mottershead:** Yes.

**Mr Shea:** Marvellous. That would be very helpful for me and I won't take up more time at this juncture. I can start to deal through that one a little more effectively. That's the real concern I have in that area and I appreciate you. Thank you.

**Mr Crozier:** I think Mr Shea has brought up an interesting issue and I hope that perhaps that could be supplied through the clerk and then we could all benefit from what you bring for us.

**Ms Mottershead:** Yes, we can do that.

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**Mr Crozier:** I need some help understanding something. It says here — I guess this is from the audit report — "In order to receive funding for a wheelchair, new applicants 19 years or over must be able to operate the wheelchair without assistance."

I have a couple of questions. Does that go all the way up to including a very complicated electrical wheelchair from what I say is a regular wheelchair, where the person moves the wheels themselves? Can you explain for me why they have to be able to operate it?

**Ms Mottershead:** Certainly it goes back to the objective of the program: It is to help people in their daily

functioning and living. The objective is not to provide equipment to those who are not going to be mobile and self-sufficient and on their own. If it requires another person to help, if you're in a nursing home or somewhere else and you can't propel yourself, then it's obviously not really helping in your independence. If someone has got to do it for you, you're not independent. One of the key objectives was the promotion of self-reliance, independence and looking after oneself. Mark may have other comments to add to that.

**Mr Cox:** That's essentially it.

**Mr Crozier:** I'm not trying to make an issue of it; I'm just trying to understand it. I understand what you're saying, and I agree with it, but are there some instances where a person would not be mobile at all unless someone helped them and just for their own wellbeing, to simply not be in a bed? Am I talking about something that just doesn't exist? Are there any cases where it would assist someone in being mobile but they couldn't do it themselves?

**Mr Cox:** That's true, it is useful for people to get outside in fresh air. It's essential for moving them from their bed to the dining room. It's just that our mandate has never been to pay for transportation aids. We get a lot of criticism from people because we won't pay for a substitute. We can't pay, because of our mandate, for a substitute, for a car or Wheel-Trans; we pay for basic and essential self-independence only. Even with people who can be independently mobile, we'll only pay for the device if it's required to get them around their immediate home environment or, when they get to where they're going, if they need something to help them get around the plaza or the church or whatever, we could pay for the device. But we can't pay for it and don't pay for it, because we don't have the funding or the mandate, if it's for transportation. If you're moving someone from A to B, we consider that transportation, you're transporting them.

**Mr Crozier:** What's significant about 19?

**Mr Cox:** The program started as a children's program, and children have always been allowed that benefit, the benefit of funding for a wheelchair whether they can move it or not. When the program expanded from being just a children's program to an adults' program and the funding went from about \$1.5 million a year to close to \$20 million a year, the decision was made at that time that benefits for adults would not cover wheelchairs if they couldn't manoeuvre it themselves either by moving the wheels or operating a joystick or a head-moving device.

**Mr Crozier:** Do you ever go back to that and think about it and get input from people who require this as to whether that should be reassessed and whether it still should be the same? Do you ever revisit it?

**Mr Cox:** No doubt about it, that's the area where we get the most criticism, that particular funding deficiency in the program. It would cost an extra \$10 million to finance that benefit. It's something the ministry is looking at doing either through reinvesting money within the ministry from elsewhere or within the program.

**Ms Mottershead:** Can I just add that although we are looking at some of those issues, there is the question



about staying with the objective of self-reliance and that particular point. We have to be cognizant that if we maintain that policy, then you're going to have others — you're not going to provide every single piece of equipment for any kinds of purposes over any period of time.

The one thing I want to point out, though, is that in looking at other provinces we have in this assistive devices program and home oxygen program the most generous program, involving the number of supplies that are available, but also the issue around the very small copayments involved in the program. Many provinces, and I think we're probably going to be down to the wire and left on our own very soon, are getting out of that altogether because they feel that if someone needs an artificial limb or a wheelchair or whatever, those are practical things to their daily living that they should be paying for themselves. That's where we're at right now in terms of the overview of what's happening in the country.

It's not medically necessary. Some of these devices are not there to help you live longer, necessarily, putting home oxygen aside. They just happen to be artificial limbs or prostheses or other things that are helpful to getting around but they're not medically necessary or essential to life. I just wanted to share that little bit of information with you.

**Mr Crozier:** Thank you. I proudly come from that part of the province that, when it comes to the United Way, is the most generous community in North America. So when you say that we're the most generous province when it comes to assisting those who are less fortunate than ourselves, I have no problem with being the most generous.

**The Acting Chair:** I would remind members and all here that this is Thursday, so there is private members' public business, and you may wish to vote at noon.

We have two people left with questions. One is the auditor. I would ask that you make your remarks as brief as possible, both in questions and answers, so that we can accommodate those last two, at least.

**Mr Erik Peters:** If you have another member asking questions, I don't want to be exempted. Some clarification to help the committee on some of the issues: The first one is that when you were dealing with benefits from other government sources, the response was largely focused on the Workers' Compensation Board at the time that we discussed this with the ministry, and we agreed on the reporting. We also dealt with the Department of Veterans Affairs. Is there any initiative taken to also have some sort of cooperation with the Department of Veterans Affairs? That is the one question.

The second one relates to the price that you just negotiated, the \$425, which is news to us. At the time when we did the audit, you indicated that the current rates were in existence until March 1998. From the comments I take it that there is an extension of the contract now to the year 2000 and that was negotiated in it.

There are two subquestions, if it's at all possible to address them.

One is that there would be an indication that the concentrator suppliers have actually achieved a 20%-plus

rate increase, from \$347 a month to \$425, so they seem to be fairly well ahead on this deal. In that connection, is there the possibility at all of a breakdown between the equipment cost and the service cost that are provided by the organizer so that some assessment can take place?

As to how that happens, maybe there is a very good reason that, for example, your concentrator supplier has to provide more services than somebody who just provides liquid oxygen, in terms of cylinders into the home. But I hope that getting some clarification on those two points might help in assessing the situation a little bit further. Thank you very much.

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**Mr Cox:** On the question around the Department of Veterans Affairs, we've tried our best but there doesn't seem to be much interest at that end to cooperate at the present time. They are concerned about releasing information on their client base and sharing it with the provincial level. Until they can overcome that, I don't think we're going to get very far with them compared to the progress we're making with the workers' compensation portion.

We have the disclosure on the applications so that we can share that information with the federal government, but they've yet to change their form so that they can share their information with us.

On oxygen pricing, yes, we negotiated an extension of the current agreement. To the extent that a supplier provides a concentrator, they're getting a bonus. That was necessary to encourage that movement away from liquid.

We didn't break the costing into how much is equipment and how much is service. A costing study is something we've been trying to get with the industry for some time, and I think we now have that incentive for them to open up their books and let us really see. They see hospitals as competition and they're prepared to compare the hospitals' expenditures for hospitals that are oxygen vendors with their expenditures to see whether hospitals should get a different rate. I'm optimistic that we'll soon have access to the information we need to make that distinction between equipment costs versus servicing costs.

**Ms Mottershead:** I just wanted to add that there is a clause in the contract around termination. If we find that once we look at some of this information we want a re-opener, we have the ability to reopen the contract and/or get out of it, so we've protected ourselves in that way.

**Mr Beaubien:** Concentrators, are they a high-maintenance item?

**Mr Cox:** No, they're very low-maintenance. The knock against them is the noise, which bothers some people, and also the electricity they use, but they're low-maintenance.

**Mr Beaubien:** Your target is to have in the future 35% of the patients on liquid oxygen; am I correct?

**Mr Cox:** Twenty per cent of patients, 35% of expenditures, that was our target before we got this flat rate. Now we want 20% of people on liquid.

**Mr Beaubien:** Where do you get that benchmark? Is that an international benchmark, provincial, federal? Why that benchmark?



**Mr Cox:** Our medical advisers tell us it's an international benchmark. In fact it's lower. They say 10% to 15%. We said for now we'll settle for 20%.

**Mr Beaubien:** What are the future goals?

**Mr Cox:** Getting down even further.

**Mr Beaubien:** I agree with Mr Crozier. I don't have any problem spending money for the quality of people's lives. I'm concerned that we have to be very cost-efficient. I do have problems with providing services based on age as opposed to financial needs. I think if we can save money in the system, maybe we can look at the people who fall through the cracks. I don't mind helping people who need the help, but if we don't get the best bang for our buck, I think we're short-circuiting the system and we're not helping some of the people we should help. That's my concern.

**Mr Cox:** I just want to make it clear that the reason people are on liquid is because they're healthy enough to be mobile. We say that if you're able to go outside for three hours or more three times a week, then you're pretty mobile, and if liquid is what you need to get you out, then we should be funding the liquid.

**Mrs Elliott:** Somewhere I read, and it relates to the veterans affairs issue, that there's a reluctance to share information because of breach of confidentiality of the patient's record. Is the ministry, in these programs or any of the other programs, moving to having a section on an application for a program or funding of any sort to request a patient's permission to correspond with other departments or other sections of the ministry so that we can facilitate a sharing of information?

**Ms Mottershead:** We actually would like to go one step further than just dealing with application forms and having people release information to us. We want to make sure the information that is released to us is also protected so that only those who need to see the information for decision-making around care for the individual,

whether it's physicians or other practitioners or others in the system — that it is protected and is used only for the intended purposes.

We have been working on a policy and hopefully working towards legislation that will protect health information as well as allow some sharing of that information among professionals who require that information.

**Mrs Elliott:** This is the confidentiality?

**Ms Mottershead:** Yes. Helen Johns, our parliamentary assistant, took out the policy for public hearings during the summer in 1996 and we're working on that piece right now.

**Mrs Elliott:** Would this go beyond just provincial sharing, though, or are we thinking about federal-provincial sharing of information?

**Ms Mottershead:** We haven't put parameters around that yet because there are situations where you need to share the information to those outside the province. For example, for a patient who is on vacation or on a business trip who has a medical record somewhere, we should be able to have that medical record become available to whoever is treating that person so they are aware of the kinds of drugs or if they're a diabetic or whatever. We haven't grappled directly with that but we know it's an area we have to look at.

**The Acting Chair:** Thank you very much. Not seeing a request for any other questions, I thank both of you for being here before the public accounts committee. We appreciate your time.

The standing committee on public accounts is to meet again on Thursday, February 20, in room 228 for the consideration of section 3.11, the alternate payment program, and section 3.14, the independent health facilities, of the 1996 report of the Provincial Auditor. My suggestion would be that the time be divided equally for each of those two sections.

This committee stands adjourned until that date.

*The committed adjourned at 1157.*











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*\*In attendance / présents*

<b>Substitutions present / Membres remplaçants présents:</b>	
Mr Tony	Clement (Brampton South / -Sud PC) for Mr Hastings
Mr Bruce	Crozier (Essex South / -Sud L) for Mr Grandmaître
Mr Pat	Hoy (Essex-Kent L) for Mr Lalonde

**Also taking part / Autres participants et participantes:**  
    Mr Erik Peters, Provincial Auditor

**Clerk / Greffière:** Ms Donna Bryce

**Staff / Personnel:** Mr Steve Poelking, research officer, Legislative Research Service



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First Session, 36th Parliament

## Assemblée législative de l'Ontario

Première session, 36<sup>e</sup> législature

# Official Report of Debates (Hansard)

Thursday 20 February 1997

# Journal des débats (Hansard)

Jeudi 20 février 1997

## Standing committee on public accounts

1996 annual report,  
Provincial Auditor

## Comité permanent des comptes publics

Rapport annuel 1996  
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## LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON  
PUBLIC ACCOUNTS

Thursday 20 February 1997

## ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

COMITÉ PERMANENT DES  
COMPTES PUBLICS

Jeudi 20 février 1997

*The committee met at 1042 in room 228, following a closed session.*

1996 ANNUAL REPORT, PROVINCIAL AUDITOR  
MINISTRY OF HEALTH

**The Chair (Mr Bernard Grandmaître):** The floor is yours, Mr ADM.

**Mr Charlie Bigenwald:** I'd like to just say a few words about the overall direction of the Ministry of Health that's contained in our business plan. We just finished up actually going through our second year of preparing a business plan.

I think it's safe to say that over the last couple of years there have been major changes in health care in Ontario and right across Canada. Those changes have required looking for new ways of providing service but always keeping in our vision of health care the patient first.

We welcome the work that our internal audit function provides the ministry as well as the insights we receive from the Provincial Auditor, because often in times of change it's important that we have an outside view of some of our changes to make sure that the management controls and accountability evolve with the system.

With the alternative payment program specifically, the auditor's recommendations have identified, I think, three or four areas, primarily weaknesses in reporting and monitoring, documentation and accountability. We agree with the directions of the recommendations and it has encouraged us really to take another look at setting measurable standards, developing better data collection systems and performing timely reconciliations. We'll go into a little more detail on each one of the recommendations of the auditor in a minute, but there are three major things that have been instituted.

The first is moving to automated reporting systems where just up until recently we had a combination of some automation and some paper systems. We're now requiring that automation and we're going back to many of our earlier agreements to make the changes.

Second, we have in place in the ministry a senior management committee that reviews all of the mandates of all of the agreements and essentially provides direction on which agreements will be changed, which new ones will be negotiated.

Third, we have been requesting annual financial statements from all of the alternative payment program sponsors as well as the reporting and monitoring that we're putting in place.

I'd like to say a little bit about the history. I think it's important you understand where these alternative payment plans came from.

Early in the 1970s and pretty much through until the late 1980s, the alternative payment plans were a mechanism for small groups of physicians to provide services that were not necessarily well provided by the fee-for-service system. For things like pain clinics, rehabilitation centres and a variety of other agencies, the fee-for-service code system was not good enough for individuals to be able to provide the kind of services they needed to provide. So they would come into the ministry and ask for an alternative payment system, and we would negotiate a system with them to more or less give them block funding or program funding to carry out the functions they needed to carry out.

By definition, one of the things that happened early on was that the fee-for-service system, and subsequently the billing system, did not fit the provision of service. There was a mismatch. We did not get detailed service reports on many of those agreements because, by definition, they were providing other kinds of service than what the codes allowed us to track. Frankly, early on we were quite pleased in many cases to even find physicians to provide some of the services that we needed provided that weren't being covered.

During the late 1980s, or throughout the 1980s but culminating towards the end of it, we found a massive growth in payments to physicians. Between 1980 and 1990, the growth of the OHIP or the insurance budget was 232%. It grew from \$1 billion to about \$3.5 billion. During the same time period, the ministry grew by about 200% and the payments to hospitals grew by 170%. The point is that the physician payments were growing faster than the other major components of the ministry.

As a result of that, the ministry began to be a bit more aggressive in attempting to negotiate larger alternative payment plans with larger numbers of physicians or larger parts of hospitals in a variety of other settings. What the ministry received or got out of these agreements with larger institutions was some cost containment. We were able to get some funding predictability and it wasn't open-ended like the fee-for-service system was.

Physicians, on the other hand, or the sponsoring agencies in these agreements, got predictability, which often was helpful in their ability to plan what they were going to do over a period greater than one year, and it also allowed them some flexibility to be able to make changes in the way they deliver services such that it was more efficient.

To encourage physicians — again I'm talking about in the late 1980s — to join some of these plans, often some extra funding was put into the plan, extra than just the amount of money they used to bill for fee-for-service, moving it over to the alternative payment plan. That extra



money was an incentive in some cases to provide different services, more services, and often it was the money that was available to cover other reporting mechanisms and some of the things that they may not have had to do if they were on a fee-for-service basis.

We move then to the early 1990s, and we were still quite active in negotiating new agreements and dealing with some of our older agreements. After the 1991 physician agreement, however, the contract with the Ontario Medical Association, the dynamics of those agreements changed a bit. If you recall, under that agreement the OMA was formally the bargaining agent, negotiating agent, for physicians at all of these tables. That made some of the changes that we wanted to introduce a bit more difficult.

For example, obviously the Ontario Medical Association was very concerned and very narrowly focused on the preservation of the fee-for-service pool of money. They were not interested in converting any more money than was absolutely necessary, the absolute minimum amount that the physicians previously had been billing into the new system. That made it difficult. Either the reporting wasn't done, or in some cases the ministry had to come up with new sources of funding over and above what was converted from the fee-for-service pool to allow for that extra reporting to be undertaken.

Second, by definition, many of these agreements were being negotiated within existing agencies, primarily large teaching hospitals that were under a series of bylaws, were under legislation, and had a fairly tight management and professional control due to the contracts they had with universities or the contracts they had with professionals. The combination of that with the change in the way the services were delivered in some cases did not lead to increased specific reporting of individual services.

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We have some good examples of alternative payment plans in terms of what they've accomplished for us over time. One notable one, for example, is a walk-in clinic at the Sick Kids Hospital where previously individuals would go directly into the emergency room. They now have the ability to triage individuals who don't actually need the emergency service and send them to the clinic for less serious services.

As we come up to the current date, I think the Provincial Auditor's report does point out many of the difficulties we had. Since the recent legislation which allowed the ministry to go back and open up some of these agreements without the OMA present or without the negotiation right of the Ontario Medical Association, we've been able to begin to retrofit and require many of the sponsors of these agreements to do some of the reporting I think that the Provincial Auditor has pointed out.

Inside the ministry, because of the massive growth of the alternative payment plans between 1985 and 1997, the overall budget for these plans grew from \$14 million to about \$120 million. That has required us to automate, it has required us to hire new staff. We have a new focus within the ministry negotiations secretariat responsible for the negotiation side of those agreements and we now have a larger staff in place to help us manage the existing agreements.

I'd like now to introduce Hania Kralka, the manager of the program, who will address the individual recommendations of the Provincial Auditor's report.

**Ms Hania Kralka:** Thank you, Charlie. Good morning, ladies and gentlemen. It has been a very busy and challenging few months since the audit report came out. I have certainly had my share of, I would consider, woes in trying to address that since then and I have been delighted to do so actually. We have been implementing changes and improvements. Many started even before the audit and we've made sure that they've continued and improved.

The ministry focus in this past year, 1996-97, has been to negotiate agreements in underserved areas and in underserved services. We have not been able to renegotiate or negotiate new agreements in my program so we have taken this opportunity to initiate changes in policy, and the policy has been to standardize and automate all the reporting data. We report now primarily through shadow billing. We have an implementation plan which indicates that by the end of 1997-98 all contracts will be reporting on shadow billing.

Just so you all know what shadow billing is, it is reporting service data paid at nil so that we now have all the service data but there are no dollars attached to the service data because the dollars are paid through my program.

The implementation schedule I've mentioned that plans to have everything done by the end of 1997-98 has added eight clinics since the summer. We now have 19 clinics on shadow billing, which is an improvement of 70%. We also have just recently sent out an additional nine registration letters and they should be shadow billing hopefully by April 1.

We've also required programs to review fee-for-service activity both in and outside of an APP. When you have an alternate payment plan, which I always refer to as an APP, physicians can continue in certain instances to bill fee-for-service for services outside the scope of the agreement. We need to monitor this to make sure we don't have a duplication, so we have developed additional requirements documents. This is where we identify all the work that is going on inside the agreement. We list physicians. We have put in plans to make sure that physician lists are updated, and we monitor this very carefully. This is progressing, as well as the shadow billing, so we are trying to do this hand in hand.

It certainly has not been easy and there have been a lot of problems and a lot of objections on the part of the physicians. Many of these groups of physicians have had alternate payment arrangements for a long time and have done no billing for the services provided. They do have a fear that if they shadow bill, not all their services will be captured simply because they have been doing things differently. That was the reason why they had an APP to begin with.

We have approval now, and this really did just happen within the past few weeks, to begin what we now call enhanced shadow billing, where we have developed new codes. We will do this in partnership with individual contracts, where we will develop codes to identify some of the different and new services that these physicians are



doing under APPs. We will then have a better picture of what is going on. We'll have more integrated data but we will not have dollar values, so that we won't mess with the accounts, so to speak. Certainly this will make all data more meaningful both to the ministry and to the contractors. They'll get a better picture of what they're doing.

We are also asking for audited financial statements now. We do have contracts which say these statements will be provided as required. Since we have not been able to renegotiate or even negotiate new agreements, we've been asking for these financial statements now probably a little earlier than we might normally, because we would only ask for these financial statements before a renegotiation so we could see where they were at.

We are trying wherever we can to also make these financial statements an annual event so that we then can have an update. We did go back in many of the agreements where we thought we could find some money. We went back to a five-year period and we have now recovered over \$1 million. However, I have to be honest that we've also uncovered many shortfalls where we have not been able to fund, and now these agreements, when we do come to renegotiate, may be coming back and asking for additional money. So we've uncovered two things.

We're also participating in what we call GAPP, which is a generic APP data collection system. This system is using one of the largest contracts that we have as a model, and we hope this will be a model that can be used across many more APPs eventually, when it is complete. So far, the data that have been received have shown significant advantages over OHIP. We hope to expand the project and we now are getting a lot of diagnosis and a lot of procedure data we did not get before.

We certainly think that all this improved reporting will support more effective evaluations. We think that evaluation is a key component of all APPs and it's certainly something that we're doing more now. We are seeking additional evaluation expertise, both inside and outside the ministry, and certainly two of the staff that I've hired since the summer — prior to that we had surplus staff in those positions — have evaluation expertise. We made sure they had this before they came on with the program.

If I could just take a few minutes now to go through each recommendation and indicate what we have done, since this is something that is not in the audit report, how we have updated the response.

The first recommendation dealt with the need for formal agreements. As I have mentioned, we have not been able to negotiate this past year. However, we are prioritizing our renegotiations for 1997-98 and we have standardized and automated a lot of our reporting, so we hope this has gone a big step forward.

The second recommendation dealt with value for funds. They recommended that we submit service data and audited financial statements and that these be reconciled on a timely basis. We thought this recommendation dealt primarily with what we call funding letters that did not have all the information specified as far as reporting. We are implementing shadow billing on the funding letters first off, before we do contracts, and we are asking for audited financial statements. We are recovering the

money, as I indicated, over \$1 million, but we have found and uncovered a lot of shortfalls.

The third recommendation: Requests for increases should be documented and assessed. We certainly are trying to do this better than we have done before, and as Charlie mentioned, there is a senior-level ministry mandate committee that now reviews all changes.

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To avoid duplication, OHIP data should be compared and physician roster changes documented. As I mentioned, we are registering with shadow billing. The registration process has made physician numbers and physician changes more accurate and more available to us, and we have also updated all the procedures, including the requirements documents.

The auditors next recommended that we link clinical research and education to measurable performance targets. This is in academic health science centres. As Charlie mentioned, they do have a lot of protocol and rules and regulations there already in the institutions and in the university. However, we will continue to participate in evaluations, and it is in these evaluations that we hope to develop more performance measurement targets.

The next recommendation dealt with evaluating committed funds for research and the specific level of detail and enforced reporting requirements for all clinical research and education activities. We have reviewed academic health science centres' submissions so far in their reporting. We have assessed them for updates and we have asked for financial statements whenever we can.

The next one is that we develop a data collection system that is timely, and in the meantime physicians should provide info to OHIP. We felt that this dealt with the GAPP project in the large academic health science centre. There was some data missing in 1994 and 1995. We now know that the new data that is coming in is even better than before, so we hope to somehow be able to go back and pick up some of that old data, but in the meantime we feel we are getting better data.

The second-last recommendation tells us to verify funds incorporated into future agreements and evaluate their use. In developing globally funded agreements, we had to use estimates, and we feel these estimates can be adjusted either in midterm or at the time of renegotiations. We will probably be adjusting both upwards and downwards in these agreements.

The last recommendation dealt with the effective provision of medical services, that we should develop guidelines for evaluation and for reporting. I think we've made a lot of progress in this. We have developed committees and teams in the ministry that will be dealing with evaluation both externally and internally.

In summary, I'd just like to say that we've recruited staff with specialized skills and expertise to support and stabilize reporting and evaluation. We have sought to standardize and automate all reporting. We have supported monitoring evaluation and value-for-money audits whenever we can. We have made significant recoveries. We have participated in the continuing evaluation of new reporting systems that will hopefully provide more meaningful and integrated information for the ministry.

We certainly are supportive of the program. We would



like to keep on addressing and meeting the challenges that lie ahead, and we certainly are grateful for the Provincial Auditor to point out where we needed more improvement. I do think we've achieved a lot of significant results. Thank you.

**The Chair:** We've extended our time by five minutes, so we'll split 10 minutes between the caucuses.

**Mr John O'Toole (Durham East):** Thank you very much for your presentation. I'm a substitute on this committee, so forgive my lack of information, but something you mentioned caught my interest and so I'll ask a specific question. Walk-in clinics: They are an APP, I guess?

**Ms Kralka:** No.

**Mr O'Toole:** Are they not? You mentioned it, though, in your remarks. How do they get paid? They seem to be growing like wildfire.

**Mr Bigenwald:** Normal — I perhaps misuse the term — walk-in clinics are paid like normal fee-for-service doctors, so the doctors just bill for that service. The specific walk-in clinic I mentioned was an add-on in the Hospital for Sick Children which was a substantial improvement, and the only way they could do that was with an alternative payment plan.

**Ms Kralka:** They use the same money and split the —

**Mr O'Toole:** But it all comes out of the fee-for-service, the whole pool, right?

**Ms Kralka:** Originally, yes, the money came out of it.

**Mr O'Toole:** All of the money kind of comes out of the one big envelope, and some of it's APP, some of it's fee-for-service —

**Mr Bigenwald:** Correct.

**Mr O'Toole:** Is there any other method of — I guess some doctors are paid on salary or something like that. Does that come out of the same pool?

**Mr Bigenwald:** Physicians who practise in community health centres are on a salary. That does not come out of the same pool.

**Mr O'Toole:** I'm told at Sick Kids they're all on salary. Do they have a physicians' agreement, or how does that work?

**Mr Bigenwald:** We have a contract with all of the physicians at Sick Kids.

**Mr O'Toole:** I'd ask the same question as the auditor: How do we know what we're getting? I think it's wonderful. I'd like a rostering system, technically, of some sort, and say if you have a lot of people with high needs you should probably make more. How do we account for having a lot of specialists making a couple of hundred thousand or whatever — I have no idea what they make and I don't need to know.

**Mr Bigenwald:** The agreement with Sick Kids is a fairly extensive one, and that is one of the places where we do have a fairly rigorous reporting system. To generally answer your question, we negotiate up front the kind of thing they're going to do. In essence it was the kind of thing they were doing in the past. They are controlled quite rigorously professionally by the college but they're also controlled under the laws and the management of Sick Kids hospital. We think we have a pretty good handle on the Sick Kids agreement in particular and what they've done. How long has the agreement been —

**Ms Kralka:** The first one was in 1990, and there was a second one in 1994.

**Mr O'Toole:** Just one last question if I may. Very interesting. Thank you for your candid response.

The other thing I wanted to know — there are two sides to the shadow billing as well. I would hope we were doing it so that we were getting value for money. You need to do it; otherwise you have no idea what you're doing. But that is the case too that would prove their case. We've now given them the very weapon to beat us over the head with and say, "Look, for \$3 million you're getting \$4 million worth of fee-for-service." Is that the way it really works? Do they get the data that you're collecting under the shadow billing? They know what they're worth?

**Ms Kralka:** Yes, they do.

**Mr O'Toole:** That's interesting. There's an advantage in having the security of funding, though. That argument should be made as well, that you say, "You can go and buy the building and all the good stuff that gives you this great income."

Thank you for your time.

**Mr Jean-Marc Lalonde (Prescott and Russell):** Thank you, both of you, for coming down and telling us what your ministry is doing to improve the health system.

I don't want to question the research that is going on or what you have done up to now, but I feel at the present time that your ministry has a \$17.7-billion budget and the mistake that I think is going on at the present time is we're trying to implement some of the changes that you are doing some research on a little too soon, before the mechanism is in place. We've seen many times, and especially this morning we had discussion of some additional expenses that are going on and reducing the services instead of improving the services. I think it's your duty and your task to make sure the patient gets the better service at the lower dollar.

I was just listening to Madam's comment a little while ago and also Mr O'Toole had just brought it to our attention. I really feel the walk-in clinic is the future to save money and to improve services. The previous government had started to create some community health centres in different municipalities or in different areas, similar to the CLSCs in Quebec. I know hospitals are really against this system and doctors are against it because in those community health centres the doctors are paid on a salary basis instead of a per patient basis. But the cost between having a patient go to a community health centre and a patient go to the hospital emergency is a big, big difference. It is a saving, and you don't get better service going to a hospital many times for a little cut at the end of your finger.

But my worry at the present time is that, yes, we are all looking forward to some new changes, but the problem is we're trying to implement them too early. We are negotiating contracts like we do with hockey players, baseball players at the present time, before the contracts have expired and very often at lesser service and at higher costs. I think this is the part that you people will have to look at very closely to continue getting the best services or the best health care for the people of this province.



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I wonder if you people, before you implement some changes, are reviewing every case for what the impact is going to be. Are we going to be able to give better service? At the present time we know we have gone through this mega-week, we call it, but we came down with so many changes that the people in this province did not know where to turn their heads, so everything is going through without analysing anything. So I wonder if you people sit down with your chef de service or the head of a different section before you implement any new services within the health department. Do you sit down before you implement a new service?

**Mr Bigenwald:** I would make two points, I guess. One is there's no doubt that the changes within health care have been increasing in velocity and that has put a great strain and a responsibility on us to do as well as we can to ensure that the impacts are either mitigated or that we know what the impacts are.

I think if you look at, for example, some of the recommendations of the Health Services Restructuring Commission, they have been particularly sensitive in their recommendations to the fact that you can't just do something with a hospital and not something in the community out here. So the recommendations to the hospitals from the commission deal specifically with hospital issues, but the recommendations that have come in to the minister deal with all of that other activity. I think you'll find, particularly in the case of a couple of the early reports that have come in, we've already initiated or are getting under way some of those community-based things that need to be done to support the changes on the hospital side.

**Ms Shelley Martel (Sudbury East):** Sorry if you've mentioned this and I didn't catch it. Can you give me what the province pays right now for the alternate payment plan?

**Mr Bigenwald:** The current budget for all of the alternative payment plans is about \$120 million.

**Ms Martel:** Just so I'm clear, is that all outside the OHIP pool now? Under the OMA agreement with the government in 1991, was a portion of that shared between the OHIP pool — no, it wouldn't have been, except for some physicians you've identified who are doing both. Everything else is outside of that pool now?

**Ms Kralka:** In 1991, with the agreement with the OMA, the alternate payment program was smaller. From that point, every time we negotiated an agreement we converted money from the pool into the program. If we terminated a contract, the money went back into the pool.

**Ms Martel:** In terms of the change that this government has made, what is the policy now around funding new agreements, and if agreements are terminated, where does the money flow back to?

**Ms Kralka:** Right now the money continues to flow back into the fee-for-service pool if it's terminated. As far as the change is concerned, there are negotiations going on right now and conversion, I understand, continues to be an issue with the OMA.

**Ms Martel:** I think you mentioned a couple of times in your remarks that you've not been able to undertake any new agreements in the last year. Am I correct?

**Ms Kralka:** This was the ministry's own decision where it was going to focus its time and efforts in APP negotiations, and where it decided was the north, the community-sponsored contracts, the globally funded agreements that are now hopefully going to be in place soon. That's where the focus has been: to develop policy and to put efforts into placing physicians there first. Now I understand this is the year when we're going back and opening up again other agreements on a broader base.

**Ms Martel:** But the issue of where the money is going to come for new agreements has not been resolved yet.

**Ms Kralka:** It's still under negotiation with the OMA. I understand.

**Ms Martel:** You mentioned something about some work in underserved areas which I was curious about. Can you just expand on that, because good portions of the riding I represent have already been declared underserved and remain without physicians.

**Mr Bigenwald:** If you recall the announcement of the community-sponsored contracts a few months ago, we've put a lot of effort into all of those communities — I think there were 21 communities involving 39 physicians — but each one of those communities was a separate negotiation between the physician, the community and the ministry. We've put a lot of effort into trying to nail all of those down as fast as we can because those are the areas in Ontario, largely in the north, that historically and chronically have been unable to attract physicians.

**Ms Martel:** How close are you to having completed all those, or do the numbers that you gave me represent completed negotiations with communities?

**Mr Bigenwald:** No, they're not all completed. I believe we're close. Out of the 21 communities that were identified, I believe we have somewhere on the order of eight or 10 completed; I think we have another eight or 10 under negotiation; and I believe there were a couple of communities that have declined the opportunity at this point. I could get you an update on those numbers.

**Ms Martel:** If you wouldn't mind, that would be helpful. Then over and above the 21, I'd be interested in knowing what the current status is of how many other communities remain on the list, because I take it the 21 do not represent negotiations — probably about half — of the communities that are probably on. There are usually about 40 that are —

**Mr Bigenwald:** Yes.

**Ms Martel:** I would appreciate having that information.

Tell me the nature of the recovery. You talked about \$1 million that had been recovered. Can I ask in general terms what was the nature of the moneys that were recovered? Was it just people not reporting accurately, or was there some common thread that you saw all the way through? Conversely, because you've been doing the shadow billing, what is the nature of the — I don't want to say new services — but perhaps services that weren't covered that you may well have to look at then because they have been discovered through this review?

**Ms Kralka:** Some of the money that we recovered, and we went back five years to find this money, we recovered through, I'm going to use the word "misunderstanding," where physicians billed for services within the



agreement. These were not large amounts, but we did find some money where physicians billed. In other cases where we had assigned money for, say, a number of physicians — in one case we actually had a physician die at the beginning of a fiscal year very suddenly, certainly was not expected to, and they couldn't find anybody to replace that physician. That caused a deficit in the program. They kept hoping they would find one. So we recovered that money because they were not able to find one within a fiscal year.

In other areas their projections had been wrong; in other areas bed numbers went down, patient numbers went down, and we were able to address this. As I said, we have a problem where we have discovered a lot of what they would consider to be legitimate shortfalls that we have not paid for. We still have not addressed this and we expect they will be coming back.

In shadow billing, because these programs are trying to get away from volume-driven, fee-for-service practice, we find that the shadow billing usually comes out to be less than, in dollar value anyway, what they provided under OHIP, which is why we're trying to put in enhanced shadow billing, where we will try to identify some of the things they're doing over and beyond, to see that we are getting value for our dollar and there is something being done.

**The Chair:** Thank you. We must go on. Thank you for being our guests this morning.

We'll go on to section 3.14. Again, the ADM is our guest this morning, if I can call her our guest, Mary Catherine Lindberg, health insurance and related programs, and Marsha Barnes, director of provider services branch. Good morning.

**Ms Mary Catherine Lindberg:** Thank you very much for the opportunity. This morning I'm speaking about the independent health facilities and not drug programs.

The independent health facilities represent a unique response to the challenge of dealing with the development of facilities in which complex procedures are performed outside hospitals. Ontario was the first province to enact such legislation in 1990. About 1,000 facilities are licensed and funded under the Independent Health Facilities Act; 22 are ambulatory care facilities in which a variety of surgical or other invasive procedures are performed, and the remainder are diagnostic facilities.

Much of our effort in the early years of the independent health facilities involved dealing with the major implementation requirements such as revising the OHIP schedule of benefits for physician services to show which services have facility fees — for example, a service when performed out a hospital would have costs for equipment, staffing and supplies — identifying the owners of existing facilities who were entitled to apply for a licence, such as those who owned or operated a facility providing covered services at the time the legislation was implemented; setting licensing conditions and terms of funding, as well as establishing a method of payment of facility fees to the licensed facilities.

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There are two other significant components of this act. One is the planning provisions and the other is the quality assurance provision.

The planning provisions give us the ability to manage the number and location of non-hospital facilities that fall under the act. To appreciate the need for this, we have to look at the history of the act.

In the late 1980s, the government had three choices for dealing with the large variety of physician services that had historically been performed in hospital. If we use surgery, it's a good example. The OHIP fee for many surgical procedures assumes they would be performed in hospitals. In other words, the OHIP fee covered only the surgeon's remuneration. The hospital's global budget covered the cost of actually carrying out the procedure.

As these services moved outside the hospital, the OHIP fee still paid the physicians, but there were no funding costs. That had always been paid through the hospital's global budget. Patients were being charged facility fees, even though the service was an insured medical service.

Faced with this situation, there were three choices. The first was to put new fees into the schedule to cover facility costs, fees that could be billed by a physician anywhere in Ontario. The result would have been a host of unregulated private facilities competing with our hospitals.

The second choice was to allow patients to pay for the costs of these insured services outside the hospital. The result would have been a two-tiered system, in violation of the Canada Health Act.

The third choice was to fund the cost of these services only in licensed facilities, and this is the result, the development of the Independent Health Facilities Act. In other words, we have legislation under which we can fund the cost of providing insured services outside the hospital. However, the act allows the ministry to fund only the costs in licensed facilities and makes it illegal to charge patients. The Independent Health Facilities Act safeguards the health care system from patient charges for insured services. Any new licence would require that the ministry issue a request for a proposal and this includes an informal evaluation process which is an important planning device. This process has resulted in some new ambulatory independent health facilities, such as a laser dermatology facility in Ottawa, and three new dialysis clinics in Peterborough, Ajax and Stoney Creek.

The total number of ambulatory independent health care facilities is 22. These facilities are funded by the ministry for the insured services they provide. They are funded on the basis of an approved budget of \$13 million. The quality of care provided in the ambulatory care independent health facilities have been assessed more than once and the results indicate that the professional standards have been met or exceeded.

The independent health facilities legislation also covers a number of diagnostic services that are funded under the OHIP schedule of benefits for physician services. Only licensed independent health facilities can bill facility fees that are really technical fees that are listed in the independent health facilities schedule. The professional fees are listed in the OHIP schedule of benefits. The fees billed by diagnostic independent health facilities are included in the OHIP fee-for-service pool.

At the time of the introduction of the independent health facilities, all existing IHFs were grandfathered



under the act and there have been no requests for proposals for any new diagnostic independent health facilities. There are currently 950 licensed diagnostic independent health facilities. They provide the following services: diagnostic radiology, diagnostic ultrasound, pulmonary function tests and nuclear medicine studies. The total annual funding for diagnostic independent health facilities is \$160 million.

The auditor recommended the ministry develop criteria for determining when an independent health facility should be extended to diagnostic services currently not caught under the act. He cites quality assurance reasons for extending the independent health facilities in this way, as well as being able to do more planning and system management.

In 1996, amendments to the Independent Health Facilities Act were proclaimed which made it possible to extend the act to include additional medical services. The College of Physicians and Surgeons and the Ministry of Health are developing criteria to expand the services licensed under the act. The criteria being developed seek to provide a way to distinguish between services whose quality can be regulated adequately under the quality assurance provisions of the Regulated Health Professions Act and on the other hand services that would be more appropriately brought under the Independent Health Facilities Act for planning system utilization or quality assurance programs.

These criteria address quality assurance as well as the growth in service delivery. Amendments also facilitate using the act to help hospital restructuring. We recognize that we must proceed in expanding the number of independent health facilities with care. We don't want to undo the efficiencies achieved by hospital restructuring by prematurely creating a large number of new independent health facilities.

The Independent Health Facilities Act quality assurance program mandates a major role for the College of Physicians and Surgeons in implementing and assuring all IHFs in which physicians provide insured services. The College of Physicians and Surgeons has developed practice parameters and facility standards for all licensed services. These are drafted by a special task force, usually appointed by the college. They are then reviewed by external professional groups and revised before being adopted.

The CPSO also appoints and trains medical and technical assessors to carry out onsite visits and to report to the registrar of the college, but these visits must be requested by the director of the independent health facilities. The CPSO registrar provides the director with a detailed report which lists positive and negative findings and proposes remedial action. In the case of adverse assessments, the director orders the operator to correct the deficiencies and may impose sanctions, such as suspending, revoking or refusing to renew a licence or part of a licence. Any order to correct deficiencies is accompanied by a demand that the operator submit a plan to the CPSO and meet with the CPSO to ensure that this plan is adequate. A reassessment ensures that the plan has been implemented.

In the case of positive assessments, the ministry also provides feedback to the operators to facilitate continuous quality improvement. The average ministry turnaround time from the time we receive a CPSO report is just under one month. Where an assessment is unfavourable, the ministry seeks to expedite the case so it is as much as a one-week turnaround. Please let me note where an immediate threat to life, health or safety is observed, the ministry's four-day target turnaround can be and has been met.

Experience with the independent health facilities has shown that there are major achievements in reducing the utilization of services captured under the Independent Health Facilities Act over those currently being provided by the fee for service through the schedule of benefits. As well, we have a respected quality assurance program that ensures there's a high quality of services for the Ontario residents.

The ministry values the auditor's report, as it helps us make this program achieve even better results and is a unique and very important program to the ministry. I have Marsha Barnes with me, who's actually designated as the director of the independent health facilities. We're prepared to entertain any questions you have on this program.

**The Chair:** We've got lots of time, so we'll start with the third party.

**Ms Martel:** I just want to clarify: I understood you to say there have been no new requests for new diagnostic independent health facilities since —

**Ms Marsha Barnes:** There have never been any.

**Ms Martel:** There have never been any new requests since the grandfathering and since the act went into effect.

**Ms Barnes:** That's right.

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**Ms Martel:** What I was unclear about — explain if you could again to me, please, as a consequence of the changes in the act made under Bill 26, what exactly the ministry and the OMA are negotiating now. Is it the new services which may be added to independent health facilities that can be then billed through the OHIP pool?

**Ms Lindberg:** There are no negotiations. What currently is happening is that we could extend the services to other ambulatory care kinds of services if we wished. We're working with the College of Physicians and Surgeons, who are actually our quality assessors, to decide whether there should be additional types of independent health facilities set up. An example would be whether sleep studies that are currently being done in physicians' offices or in physicians' clinics could be put under an independent health facility instead of being done on a fee-for-service basis. That's just an example of some of the things that are going on at this time.

We're working with the college to identify those kinds of services. Then they have to establish a whole quality assurance program so that we can assess them. If we were going to call for a proposal for sleep studies, then we'd need whole criteria to assess them against and to determine how we should pay for them. That has nothing to do with the OMA negotiations. The OMA negotiations are all on fee-for-service. If we were going to move, say,



some fee-for-service over to the OMA, then we'd have to negotiate that with them, but currently we're just deciding which services we could, if we wanted to, move over into an independent health facility.

**Ms Martel:** Can you give me some other examples — I think you've called those things ambulatory types of care. I don't really understand clearly what that means.

**Ms Lindberg:** We have two types. We have what we call ambulatory, but diagnostics are X-rays, those things. The ambulatory care ones are things such as dialysis, plastic surgery, ophthalmology surgery, those kinds of things. We could expand that role if and when we wish to, but we don't depend on our assessment of whether we should or shouldn't; we're waiting for the college to give that assessment to us.

**Ms Martel:** You also mentioned that — I think this is correct — part of the amendments would address a need that would come through hospital restructuring. My question is, which services do you see would be likely to shift then? Are you referring back to dialysis and ophthalmology?

**Ms Lindberg:** It could be dialysis or it could be other — it's becoming more and more convenient to do some of these services in doctor-type offices. You don't need the infrastructure of a hospital to do things, such as chronic dialysis. You can use a clinic-type setting as long as you have the quality assurance there, the right kind of assurances that the quality is going to be delivered.

You could move those outside, and that's what we're saying: If some hospitals or physicians would like to move something out of the hospital, even their X-rays, we could move it out and set up an independent health facility. Another example is if a community health centre decided that they wanted to expand their services to do X-rays, then they would have to be licensed under the Independent Health Facilities Act to do that.

Those are the kinds of things we're talking about. This will help us in the restructuring of the delivery of health care.

**Ms Martel:** Clearly you haven't really entered into any of those negotiations yet, because you're at the very beginning.

**Ms Lindberg:** No.

**Ms Martel:** One of the changes in Bill 26 — which, no surprise, I disagreed with — with respect to health facilities was to allow requests for proposals outside of Canada: outside, not-for-profit agencies. I guess I have a different philosophical view. Tell me, is that going to be part of the negotiations? If I understand correctly, you've not negotiated any new contracts, so while that provision exists, it has not been implemented in any way, shape or form.

**Ms Lindberg:** When we call for a new independent health facility we put out a request for proposals, usually through an assessment, if the DHC has said there is a need for it. Currently when we've put those out, we've actually said we still want Canadian preference clauses in our request for proposals. We have some not-for-profit, but physicians consider themselves in that same category, so it's really difficult. We really are working for the best quality and the best price when we're looking at the

independent health facilities, mainly because we feel very confident on the quality assurance side with the college and the work we were doing on that side.

**The Chair:** Can I move on to members of the government? Then I'm sure, Ms Martel, you'll have a second chance to ask more questions. Mr Shea, please.

**Mr Derwyn Shea (High Park-Swansea):** Let me just get a handle on what is happening to put this in another term and make sure I'm moving down the right path. I have the one argument of the concentration of services, and I see with this system a deconcentration of services, a flow out from very cost-intensive centres we know as hospitals into less cost-intensive areas, clinics and so forth. You've rightly put your finger on things like dialysis and eye laser and so forth. Am I correct so far when I say this is what we're seeing? We're almost seeing a spinoff of services from the hospital, specializations that are moving out, the sort of thing that ultimately destroyed the Canadian National Exhibition, using another parallel example, as we spin off on a trade show, so you move out and away you go. I want to come back to that because it's a question I'd like your thoughts on.

As that occurs, and on the one hand you're getting some benefits for the community, are you convinced that you're getting cost benefits in terms of the service that is provided to the patient? On the other hand, is there a corresponding benefit by insisting that the hospital, when that is spun off, does not stay in competitive service but is now reducing its budget accordingly and is ensuring that the budget savings are directed towards those that provide the service in that area and are not spread across into service provisions elsewhere in the hospital? A simple question.

**Ms Lindberg:** Yes, very simple. The answer to the cost benefits to patients: Currently the only comparison we have is the same service being offered on a fee-for-service basis versus the independent health facilities. We've actually seen the independent health facility services remain lower or not increasing — in fact, I think they decrease in utilization — where on same types of services on the fee-for-service we've seen huge increases.

We know for sure we're giving a better-quality service because they are assessed and they are under an assessment. If you're a private doctor's office and you're offering a certain test, there is no quality assurance available to that doctor's office. He can't call somebody up and say, "Come in and see if I'm giving good service," where we insist that happens in an independent health facility.

What we're trying to do on the hospital side, if a hospital decides it wants to move out a service that is able to be done in the community and does not have to have that infrastructure of a big hospital around it, is that the money moves with that clinic. That's what we did with dialysis. We actually haven't ever closed down any dialysis units because there's a 10% increase of dialysis patients every year. But when we expanded the services, where we expanded both in hospitals and in independent health facilities, we used the same money from the hospital pool that was given to growth for both of those services.



**Mr Shea:** I heard the code phrase "if the hospital wants." Are you telling me that in all instances the new external facilities are a manifestation of a desire of a hospital to find lower costs and move out?

**Ms Lindberg:** No, not necessarily.

**Mr Shea:** Right, and that's where I want to start from. What I'm really doing is engendering competition in the system, and when one says there is a reduced increase of use in the independent system versus in the hospital system, that's almost comparing two different systems at play as well as two different costs and that becomes an awfully difficult thing to begin to evaluate, doesn't it?

**Ms Lindberg:** Do you want to answer that?

**Ms Barnes:** Yes. Using dialysis as an example, what we're trying to do there is have hospitals treat the patients with higher acuity, the sicker patients, the patients who can't be treated in a self-care unit outside of the hospital. Therefore their costs could be expected to be higher on a per patient basis. We haven't done the analysis yet because it's very hard, as you know, to get hospital per patient types of costs where the less acute patients, the chronic patients who only need supervision by a physician and not a physician onsite during their dialysis, can be treated in the independent health facility closer to the patient's home, where they don't have to travel as far, and at a reduced cost.

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**Mr Shea:** I understand the theory. I guess what I'm trying to now plumb is if the ministry is in fact doing the kinds of patient care cost-effective studies that I would think you would want to be out. In some instances, this is almost like a triage issue. It's a matter of hospitals will deal with a certain level of service, and in other cases you will now go to other centres for that service. I can live with that as long as I am convinced that indeed the costs are commensurate with the requirements in each instance, and I need to have from you some assurance that you've done studies to be able to show this committee that is the case.

**Ms Lindberg:** We haven't actually done any studies, but we've done some cost comparisons between services in hospitals and services in the independent health facilities. They are less expensive, but when you say that, the hospitals obviously say, "We're treating more acute patients, so of course."

**Mr Shea:** Of course, and their overhead is significantly different. All of that stuff is altogether different, so that's —

**Ms Lindberg:** We haven't done cost-effectiveness studies. We've done cost-comparison studies, and they are less.

**Mr Shea:** I don't want to prolong that one. It's one I will probably come back to a little bit. I'd like to go to the issue of — I don't know what to call it — enforcement or monitoring of regulations, I suppose, just to click into something that's of interest to me, and that is the question of how you indeed ensure that the independent facilities are meeting the standards you expect of them. I presume that you don't have your own inspectors. From what you've written here, I assume that you've made a deal with the college to do the inspections for you.

**Ms Lindberg:** That's right.

**Mr Shea:** Can you just clarify for the record why you have done that? Why have you gone to the college to do that?

**Ms Lindberg:** The reason is that the college has a responsibility under the Regulated Health Professions Act to ensure that physicians are giving quality services, and they license physicians. Physicians offer these services. It made more sense to have them, who are involved in quality assurance, looking after the services that physicians give, putting out guidelines of how physicians should work to whatever procedure they're working through, and they have the guidelines. They do the re-evaluation. So it make more sense for them to develop it. They have the expertise, and they also have the ability as a peer group with another physician to do it, rather than the ministry hiring a group of physicians to come in and do that. We used the college because they have that expertise there.

**Mr Shea:** It's a philosophical —

**The Chair:** Thank you, Mr Shea. I must move on.

**Mr Shea:** I was getting into some great philosophy here for a moment, Chairman, but I'll defer now to the opposition.

**The Chair:** I'm sure you'll get a second opportunity.

**Mr Shea:** I'm sure I will, sir.

**Mrs Sandra Pupatello (Windsor-Sandwich):** Can you tell me how many independent health facilities you've gone into without prior warning since the passage of Bill 26, for investigation?

**Ms Barnes:** We haven't done any. You mean without notice? No, we haven't done any.

**Mrs Pupatello:** How many have you done with notice?

**Ms Barnes:** Since the passage of Bill 26?

**Mrs Pupatello:** Yes.

**Ms Barnes:** I don't know that offhand.

**Mrs Pupatello:** Do you think there have been many or none or —

**Ms Barnes:** The target for this fiscal year is 150 assessments this year.

**Mrs Pupatello:** So those assessments would be done with warning?

**Ms Barnes:** Yes. The college will notify the facility that they want to come and do an assessment and make an arrangement with the facility operator for the day that they'll be there. Part of the reason for doing that is that it's very important that the facility quality adviser is onsite at that time. That's the physician who has legal responsibility for quality in the location, and it's important that person be there.

**Mrs Pupatello:** I understand. Why do you think there was a clause in Bill 26 then to allow for visits onsite without prior warning? What was the purpose if a year to date it's never been utilized?

**Ms Barnes:** There were some rare circumstances in the past where the college found that the facility operator wasn't being cooperative, or if they had reason to believe that the facility operator might be tampering with and trying to put on the best show that they could when they came into the site. To date, that hasn't been an issue since the passage of the legislation, so it's a clause that is to be used in exceptional circumstances only.



**Mrs Pupatello:** Of the ones who likely have been, even though you don't know the number, how far into the 150-or-so target per year, have you had some very terrible circumstances you've discovered when you've gone to these centres?

**Ms Barnes:** We've had a requirement since Bill 126, I believe, or at least since the auditor's report, where there has been a finding, where the assessors, when they were in the facility, faxed to the college a letter — this is the process we've put in place — to indicate that they found a significant concern. The college immediately let us know and we instituted the suspension order within a day.

**Mrs Pupatello:** So you've had one.

**Ms Barnes:** There's been one emergency suspension of that nature. There certainly have been other suspensions this year.

**Mrs Pupatello:** For the assistant deputy: In this discussion regarding the independent health facilities where they relate to kidney dialysis, do you know offhand whether the offsites, out-of-hospital dialysis, are haemodialysis or peritoneal?

**Ms Lindberg:** It's only haemo, and it's chronic haemo. It's those people who are chronic and stable, not acute haemodialysis.

**Mrs Pupatello:** So hospitals would have a legitimate concern, if you initiated a cost analysis, that you have to compare apples to apples. For example, patients who are significantly — the reality is that while you have an increase of 10% per year, you also have an aging kidney dialysis population. As people are living longer, they are staying on dialysis longer, and you're getting patients who years ago likely would have been deceased and now they may be 80 and on dialysis, or 70 or 60, whatever.

You have an aging population and significant multiple problems along with dialysis, so your population has changed, I think, in terms of whom you're serving even compared to 10 years ago. Those who would be offsite would tend to be your younger, mobile patients who won't need doctor supervision individually and/or wouldn't need a nurse per patient. Even in the hospital setting I don't think they're getting that today, but they certainly wouldn't get that in the independent health facility.

**Ms Lindberg:** No, I think they would get that but the independent health facility doesn't necessarily have younger or mobile patients. One of the advantages of the independent health facilities is that the elderly don't have to travel as far. We're trying to make it closer. Usually they have to be driven, obviously, and it's closer to where they are so that they don't have to drive all the way to the hospital.

**Mrs Pupatello:** It would be the status of their health as opposed to age.

**Ms Lindberg:** It's acuity of care that is the determinant, not age or anything else. If you're chronic and you're stable — a lot of elderly patients who are being dialysed are actually fairly stable. They just have to go there routinely three or four times a week.

**Mrs Pupatello:** You would say offhand that the ratio of patient to staff is significantly less in an independent health facility than you'd find in a hospital?

**Ms Lindberg:** I don't know the ratios of patient to staff. I don't think it is. I think what's different in a hospital is that they have onsite physicians usually supervising, where in an independent health facility we don't have the nephrologist supervising onsite. But in independent health facilities we have the same number of nurses per patient they would in a dialysis unit in a hospital. In fact, sometimes their ratios are exactly the same. That's not the difference. Usually the difference is in the nephrologist's attendance.

**Mrs Pupatello:** Okay. My colleague has some questions.

**Mr Lalonde:** I'd just like to know how many CHCs we have in the province.

**Ms Lindberg:** Independent health facilities?

**Mr Lalonde:** No, community health centres.

**Ms Lindberg:** I don't know. I'm sorry.

**Mr Lalonde:** Do you know, though, if the college of physicians is supporting community health centres?

**Ms Lindberg:** I would assume they are because they're fairly supportive of anybody who gives good quality service and the most appropriate service. The College of Physicians and Surgeons of Ontario is very much into delivering quality assurance and making sure that physicians deliver the most appropriate service, and CHCs are usually doing that.

**Mr Lalonde:** Is it your ministry's intention to increase the number of CHCs in the province?

**Ms Lindberg:** I honestly cannot answer that. The CHC program does not report to me and I honestly don't know.

**Ms Martel:** I want to go back to how the ministry undertakes a cost comparison between hospitals and independent health facilities in the provision of particular diagnostic services.

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**Ms Lindberg:** In fairness, it's a straight cost comparison. It's just this many patients, these kinds of dollars going into the independent health facilities versus into the dialysis unit in the hospital. That's why I said that if you take cost comparisons, they're not cost-effectiveness comparisons. A hospital is supporting a lab, a pharmacy, overhead and much more administration, those kinds of things that are essential to run the hospital; where in an independent health facility they don't have a lab, they send the tests out and bill OHIP, they don't have a pharmacy, they don't have the kind of superstructure or the administration that would be in a hospital. So as I say, they're cost comparisons and you really can't compare them.

**Ms Martel:** Let me ask how the ministry is going to come to grips with the following problem that I see with restructuring. There's been a restructuring report in my community that's very public. One of the issues that has been looked at by a working group, made up of all the hospitals and the Ministry of Health, was the issue of, should we have a centralized lab service? There is a large lab, paid for by the taxpayers already, at the hospital which will remain and which will be expanded under the restructuring plan. Yet on the table is also a request from MDS to build a new lab in the community at a price of \$4 million, their argument being that because they are an

independent health facility, they will be able to deliver this at a lower cost to taxpayers overall.

Needless to say, my colleagues and I have some significant concerns about whether the ministry is going to approve an independent lab being built by MDS while we have a lab sitting underutilized right now at the hospital that will remain. How is the ministry going to start to figure out what the cost benefits are here and what the cost comparisons are so we make a decision that at the end of the day that ensures we've got an effective, efficient and lower-cost system?

**Ms Lindberg:** Independent health facility laboratories are not under the independent health facilities. They are actually under a lab licensing scheme which is paid through OHIP or through the hospital budget. We have a lab services restructuring group looking at how we should be paying for lab services and how we should be looking at restructuring lab services. We don't need to lose the viability of a hospital lab, because we need viable hospital labs that give good stat work, do excellent work and are very proficient. You still have your community work that has to be done. You need work done in the primary care setting where a physician should be able to do some sort of onsite lab tests and not have to send them out.

The whole lab restructuring process is looking at all that and looking at an alternate way of paying for it other than fee-for-service or in a global budget or however we decide to do that.

**Mr Shea:** I share the question of Ms Martel in a way. She knows from the questions I've been raising that I have the same kinds of interests. I think we're both trying to ensure that patients in this province are getting the very best for the very least, and that's what we're trying to work towards.

I get the chance to raise the question, because I know that you're as troubled as I am by the classic phrase in Plato's Republic, "Who will guard the guardians?" Let me get to the philosophical question first of all: Why should the consumer pay practitioners to monitor and evaluate the performance standards of practitioners?

**Ms Lindberg:** Physicians are a self-regulating profession, as are pharmacists, nurses —

**Mr Shea:** I understand.

**Ms Lindberg:** Because of the way the legislation is set up, physicians regulate themselves. But we have a fair amount of ability within a number of the acts we have at the College of Physicians and Surgeons that would come back on the College of Physicians and Surgeons if they weren't performing the things they should be doing, but they have the expertise.

**Mr Shea:** I acknowledge that. The question I pose is, why should the taxpayer, the consumer, pay for them to do what they should be doing? That is, their own quality assurance studies.

**Ms Lindberg:** I think it goes beyond just physicians. Physicians pay their licences and that's how the college looks after what they do for physicians. They have the expertise. We can either hire staff to do it ourselves or we can pay them to help us do it. We felt it was better to pay them to help us do it than us to hire seven or eight docs at \$100,000 each to do it.

**Mr Shea:** I understand that answer.

The final one then is in terms of the question I raised earlier that other members have also addressed: Are there studies under way or about to start or recently have been completed that give us some kind of cost analysis of the shift from the cost-intensive focus of the hospital to the less cost-intensive centres, the IHFs?

**Ms Lindberg:** One of the studies that we've been asking the Institute for Clinical Evaluative Sciences to look at is assuring that we're not losing quality or effectiveness or appropriateness — because that's the other problem — by moving certain things out. We've asked that they help us determine that.

**Mr Shea:** Are they also addressing the question that as the shift occurs, either the hospitals are finding other kinds of services to provide in other parts of their mandate or are in fact severing the costs there and not continuing to bleed us, killing us by a thousand cuts, in other words?

**Ms Lindberg:** What we're trying to do and what we're looking at very closely is making sure the money follows the patient; the money doesn't stay here. If you're the patient and you're moving through the system, that will give us more effectiveness.

**Mr Shea:** I applaud that and I agree with you. The difficulty I've got is on the other hand I have a large infrastructure that is in place and has to be in place particularly for the more intensive care. How do we ensure that is not excessive, is not inordinate?

**Ms Lindberg:** That's a question we need to answer, but I think one of the things we want to make sure is we do studies. In a hospital they have what they call a quality assurance program. It's not just physicians, but it's a member of each one of the professions on this quality assurance. They actually look once a month at what services they're doing, where they're doing them, why they're doing them and doing what they call quality assurance and quality improvement — total quality management, however they all manage it; each one has a different way of doing it.

**Mr Shea:** Last question, Chair: The dollar following the patient I understand. The difficulty I have in the concept, and you may be able to respond to it, is it assumes that the patient has choices of where to go for services and the choice ought to be exercised where it's the most cost-effective. But it also assumes that at certain points the patient may have to enter into a setting where there is a significant infrastructure required to meet their needs. There's a cost to maintain that infrastructure at all times. That's why I'm saying, have we got studies that indicate how you can find at least some kind of an appropriate-sized infrastructure that is not wasteful, that has been downsized sufficiently but also has the capacity to meet the changing needs?

**Ms Lindberg:** The joint policy and planning committee of the ministry and the OHA are actually looking at that right now in their funding —

**Mr Shea:** When will we see some written documentation?

**Ms Lindberg:** Probably in the spring. It's spring now, isn't it? It's supposed to be by June or so.



**Mr Shea:** Could I at least ask that I see something when it's available, Chairman?

**The Chair:** Yes.

Maybe the Chair can have the last question. You people have been under tremendous pressure, if I can use the word "pressure," in the last 12 or 14 months, because you're continually implementing not only new programs, but you're trying to improve the quality of these programs. How difficult has it been to assess your progress or your failures? How difficult has it been, for the last 12 or 14 months?

**Ms Lindberg:** In some cases, it has not been that difficult. The use of dialysis is probably one of the better ones, because we have actually been able to give services closer to home for a number of people and that kind of thing. If I can go back to a previous time, we're looking at the prescribing of drugs. We keep trying to get more appropriate use of drugs and I'm not sure we're achieving that. So it just depends on individuals and how we're approaching the programs. Sometimes physicians' services move very quickly to meet some of the demands and then other times we don't seem to achieve it.

**The Chair:** Maybe my last question is, how much time is spent on assessing a new program or a new service? Are you too busy implementing the wishes of the government that you don't have any time to assess?

**Ms Lindberg:** In any new program, we build in some evaluation and monitoring. The previous speaker talked about why we put in shadow billing on an APP. We have no other way of measuring it, so we ask them to shadow-

bill. We always have a monitoring and we always spend some time going back and reviewing it, just to be sure that we aren't really causing — one of our things is we don't want to cause damage, and the other thing is we really want to make sure that when we do something, we're doing it well.

**The Chair:** So we can assure the auditor that he doesn't have to audit your books next year.

**Ms Lindberg:** That's right; he doesn't have to come back again.

**Mr Shea:** I just wanted to pick up one final point to make the member for Windsor-Sandwich, at least, happy as well in terms of your response. The ADM was right, in my experience, that the seniors are finding some of these centres far less threatening and far more convenient to get to. I personally have a 96-year-old mother going for eye surgery next week who finds it much more convenient to get to a centre of that sort than to truck all the way up to Sunnybrook hospital. So I think there are some advantages, but it doesn't take away from my basic question of, I want to see the effectiveness of places like Sunnybrook hospital that continue to expand forever. I want to see what that means, compared to other things.

**The Chair:** Ms Lindberg and Ms Barnes, thank you for being with us this morning.

Just one announcement. I feel like a minister. February 27 we'll be dealing with section 3.15. That's the Whitby Mental Health Centre. Thank you for your assistance this morning and your presence.

*The committee adjourned at 1201.*





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## LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON  
PUBLIC ACCOUNTS

Thursday 27 February 1997

## ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

COMITÉ PERMANENT DES  
COMPTES PUBLICS

Jeudi 27 février 1997

*The committee met at 1056 in room 228, following a closed session.*

1996 ANNUAL REPORT, PROVINCIAL AUDITOR  
WHITBY MENTAL HEALTH CENTRE  
MINISTRY OF HEALTH

**The Chair (Mr Bernard Grandmaître):** Good morning. This morning we have Jessica Hill, the assistant deputy minister; Mr Dennis Helm, the regional director, central east; and Mr Ron Ballantyne, the administrator of the Whitby Mental Health Centre. Ms Hill?

**Ms Jessica Hill:** Thank you. What I'd like to do is begin by describing the mental health system that Whitby is a part of and provide just some overview remarks.

To begin with, we have 333 community mental health programs across the province, 21 children's mental health programs which are connected to general hospital outpatient services, and 305 homes for special care. In addition, we have 10 provincial psychiatric hospitals, five specialty hospitals, and 65 general hospital schedule 1 units.

Currently there are 2,900 provincial psychiatric hospital beds in the system across the province, ranging from hospitals with approximately 211 beds up to hospitals with 633 beds, which describes the London and St Thomas hospitals.

We have been in the process for a number of years of working to develop an integrated and coordinated mental health system of care. This has been referenced in policy documents since 1993, the policy framework being described as Putting People First. It has always focused on trying to build a system of care so that patients and clients do not fall between services and that a continuum of care is delivered.

We have tried to focus on the consumer first, with priority given to the severely mentally ill, not exclusive to the severely mentally ill, but priority being given to this population. What we're trying to build is an appropriate mix of inpatient services and a strong community system. There is considerable evidence from other jurisdictions that by providing a very strong community system, you can improve the quality of life for these individuals. All sectors, including hospitals, physicians, voluntary organizations, community mental health programs, housing services etc, are part of this system.

Quickly, I'd like to describe the way in which we have, as a ministry, held the provincial psychiatric hospitals accountable for the management and delivery of the services and resources that are provided.

We give them an annual budget allocation. We require submission of annual operating plans, including annual

budgets for approval. This is something we require of all providers of service in the mental health system. They are reviewed to ensure consistencies with policies and priorities of government. We have monthly summary reporting information on financial and activity data. We have quarterly and year-end detailed reporting of financial and activity data, and it is reported in the public accounts. We are of course required to comply with Management Board directives and guidelines.

We have received periodic audits from our internal audit branch of our psych hospitals. This goes back to 1987, and in that period we have audited North Bay Psychiatric Hospital, Hamilton Psychiatric Hospital, Queen Street Mental Health Centre, North Bay Psychiatric Hospital, Kingston Psychiatric Hospital, Penetanguishene Mental Health Centre and of course Whitby.

Again through the Provincial Auditor's office there have been two provincial audits: one of the Whitby Mental Health Centre and one of the Queen Street Mental Health Centre. My understanding is that in 1987 there was a provincial audit across the provincial psychiatric hospitals.

I'd now like to ask Mr Ballantyne to describe quickly the Whitby Psychiatric Hospital and the audit recommendations.

**Mr Ron Ballantyne:** Whitby Mental Health Centre, as it's now called, serves a population base of well over two million people in the 905 greater Toronto area. We have a catchment area which includes North York east of Yonge Street, East York, Scarborough, Durham region, York region and Victoria, and that includes four district health councils in that particular service area.

The range of services that we provide includes six program areas. This, for example, would involve adolescents and young adults; skills training treatment; an education program oriented largely to individuals with serious psychosis and schizophrenia; a community response program which is outpatient services and inpatient services focusing on crisis intervention and short-term assessment and treatment; a psychogeriatric program for individuals over 65 with major psychiatric disorders; a psychiatric rehabilitation program also focusing on individuals who need intensive treatment, inpatient day treatment and outpatient treatment, to return to community living; a special populations program which focuses on the dual-diagnosis population; the psychotherapy unit which focuses on treatment of individuals with serious behavioural and personality disorders; and the program focusing on individuals who have neuropsychiatric disorders, neurological disorders.

We also have under development a medium secure forensic program of 40 beds. That program is to com-



mence some time in the next six to nine months and we have the first purpose-built secure unit in the province for that function. We serve forensic patients now, approximately 50, but not as a formal medium-secure environment.

We also provide a range of outpatient services for about 1,300 to 1,400 outpatients. That includes a variety of day programs, day treatment programs, day hospital programs.

In our service area, our catchment area, recently the community investment funds that have been allocated are approximately \$1.8 million. This covers a range of services from crisis intervention to consumer-survivor initiatives, peer support, family networks, housing programs and the like.

We are accredited by the Canadian Council on Health Services Accreditation. We have been part of that program now for well over 15 years. Our facility has received three consecutive three-year awards and we will actually be surveyed by the CCHSA, as it's known, in a week's time. This particular body exists to assess, using national Canadian standards, the facilities in the country pertaining to various aspects of mental health service delivery. The surveys actually give us an opportunity to identify opportunities for improvement as well as areas of excellence. The last survey was completed in November 1993 and, as I mentioned, one is upcoming in 10 days.

The process that we followed for the Provincial Auditor's report was that in 1995 the auditor spent a number of months with us and came forward with the recommendations that are contained in the 1996 report. We found it a very constructive process at our facility. It was a means by which we were able to focus in on areas that the Provincial Auditor felt needed some attention and also needed some clarification. We saw it clearly in much the same vein as the Canadian Council on Health Services Accreditation process. We saw it as an opportunity to help us as a public facility become as publicly accountable as possible and to make major strides in improving on some of the areas that were identified for improvement. We'd like to thank the Provincial Auditor for the opportunity to be part of that.

#### *Interjection.*

**Mr Ballantyne:** Yes, actually, thank you. Of the recommendations that have been made, we have proceeded to act on all those recommendations in some fashion. That process began as soon as we were aware of the recommendations of the Provincial Auditor prior to the actual public release of the report.

With the recommendations focusing in on waiting lists, we have established a comprehensive database and means of monitoring waiting lists for the facility to answer the concern of the auditor that we were not monitoring waiting lists as well as we could and to analyse the length of time that was necessary to access our services.

We are in an area where the number of psychiatric beds per population is at and below the provincial target of 30 per 100,000 when you combine general hospital and provincial psychiatric hospital beds. So inpatient resources are, by and large, at a premium, and I think that's all the more reason why the auditor felt it was important for us to rigorously monitor waiting lists and to assess how that's proceeding.

With respect to program evaluations, we had in place prior to the audit a voluntary process for all our clinical programs to participate in programming evaluation. The majority of them had. Again, the audit recommended that we be more rigorous in that, and we support that and have proceeded on that basis to address that particular recommendation.

With respect to capacity to consent to treatment, these are very important concerns for us, and again we appreciate the auditor raising these. These are matters which we take as probably the most important recommendation in the report and we have taken major steps within the facility to ensure that our medical staff and other professionals who are providing treatment to patients — again, we're talking about a very vulnerable adult population by and large, and some adolescents, as I noted. This is a population where the ability of the facility to properly assess and to engage in accordance with the law the consent process, the capacity to consent and, where consent is given, to comply with the legislation is very critical, and, in a situation where someone is assessed not to be capable to consent, then to proceed through the substitute decision-making process in a fashion.

We feel that our practices were faulty in that our recording, as noted by the Provincial Auditor, was not to the standards it should be, and we have taken considerable steps to correct that.

#### **1110**

With respect to the recommendation having to do with mechanical and chemical restraints, we have reviewed and revised our policies with both of these particular issues, mechanical and chemical restraints. We feel they're state-of-the-art policies. They certainly reflect the legislation. Again, they reflect sensitive practice to individuals in vulnerable states, in some cases posing considerable danger to themselves or others. Our practices are consistent with what is required by the law and we have put into place a data monitoring system so that we can better collect restraint uses, both mechanical and chemical, and can monitor trends over time in that respect.

The fifth recommendation was one which pertained to the payments for long-term-care facilities. Perhaps you wish to speak to that one, Ms Hill.

**Ms Hill:** Essentially the ministry has over a period of time considered the issue of a copayment for psycho-geriatric patients or long-stay patients in the psychiatric hospitals, but currently it is not considering implementing one at this time.

**The Chair:** You are not? I'm sorry.

**Ms Hill:** We're not considering introducing a copayment at this time.

**The Chair:** Thank you. Mr Helm, would you like to add to this presentation?

**Mr Dennis Helm:** Specifically in regard to the copayment, I don't think I have anything more specific to add. We looked at the various options that were available to us and compared practices in other jurisdictions within the health system. We felt that at this point it was best from our point of view not to pursue implementing copayment.



**The Chair:** Thank you. We'll start with Mr Patten and give each caucus maybe 10 minutes and then we'll alternate.

**Mr Richard Patten (Ottawa Centre):** Thank you very much for joining us this morning.

I'd like to make one overall comment, and it's about the whole system here. We're talking about an audit that took place at least 14 or 15 months ago. Presumably it started earlier than that, so in a sense the information goes back a fair amount. I can see, Mr Ballantyne, that you've responded to a number of these situations already at that time. We're talking about an audit that was done on the old facility, which was not when you were in the new facility, and you're talking about different ways of operating, presumably, by virtue of your new facility and some of your community programs, all that kind of thing.

I think the committee needs to have — this is a comment about the committee and our information system — a quicker update. I feel that we're dealing with a lot of old information here, and while some of the questions are valid to be asked in transition in moving from one facility to the other, the fact remains that it's still 18 months ago or 15 months ago or whatever it is on that.

One question I'd like to ask overall, Mr Ballantyne, is related to your new facility, and I know of the need in the area because when I was Minister of Government Services I reviewed that project and very much felt that there was a need for change for many years. Could you describe to me today, in comparison to what you had before, how this has enabled you to address serving in a different manner presumably — you may disagree with my analysis, but in a different manner, especially in terms of working with the community — the patients who need treatment?

**Mr Ballantyne:** First of all, with respect to the new facility, we clearly have state-of-the-art premises from which to operate our programs in which individuals who seek our service can benefit. The environment is literally about a century ahead of what it was, and the standards of the physical environment have changed dramatically. We meet all current regulations and so on, which wasn't always the case. In that respect, it has created a much better opportunity for us to advance our programs.

Most of the recommendations are focused on our programs and our services, not the facility. In that respect, nevertheless, we have designed a facility that reflects current populations. Over the 80 years of the existence of the Whitby Mental Health Centre, whom the facility has served has changed dramatically: a much more seriously, in some cases, longer-term population, where issues such as physical restraint or chemical restraint are very important in some respects, particularly when there's danger to self or others.

It also gives us an opportunity — and this was witnessed by our open house when 5,000 people, members of the public, showed up to see the facility on one Sunday afternoon. It creates an attractive environment to help the public understand what mental illness is, what programs are available to meet the needs of the seriously mentally ill, and to be able to respond to their particular requirements.

Keep in mind here that we provide a broad range of programs for not a homogenous population of seriously

mentally ill, but these are specialized programs that are provided on an economy-of-scale basis for a population of, as mentioned, 2.2 million people. This is done in conjunction with community mental health programs, which are certainly a significant partner in how we deliver our services and how effectively we can deliver our services, as well as with general hospitals with psychiatric units.

**Mr Patten:** I note that you said there was \$1.8 million worth of community programs. Your budget is what, about \$47 million?

**Mr Ballantyne:** It's \$42.7 million.

**Mr Patten:** So it represents close to 9%, or something of that nature, in terms of the community programs.

**Ms Hill,** can I ask you a question? I'm asking the context because I think we will address some of the specific concerns of the audit committee. We've had the recommendations. The restructuring committee has now recommended three psych hospitals to be closed, and presumably there will be others.

Making the assumption that it's the older style of working rather than a more integrated approach, could you describe to me how the Whitby Mental Health Centre fits into this in terms of the future? Is this a state-of-the-art approach that is more integrated with the nearby community in a variety of services and works more hand in hand, rather than a more contained and independently oriented hospital of the past?

**Ms Hill:** I'll certainly be happy to respond to that question. First, though, I'd like to clarify that the reference to \$1.8 million is new funding in the community investment fund. It does not represent all the community funding that the catchment area has.

**Mr Patten:** What would that represent?

**Mr Ballantyne:** I would suggest it's approximately \$18 million to \$20 million.

**Ms Hill:** That actually describes a better balance of what we're aiming towards. The Whitby Mental Health Centre was probably one of the facets that really allows for greater systems integration. It certainly is a modern facility and, as Ron has described, the linkages with the community existed before, but the environment contributes to that more effectively.

I think one of the most profound impacts is the destigmatization of the mentally ill when they receive care in such an attractive environment.

One of the challenges for the mental health system has been that many of the facilities are older, larger, and in terms of planning for a modern mental health system, determining the best way to provide in-patient care has been one of the areas we need to look at.

1120

**Mr Patten:** In terms of the copayment, how do you respond to the criticism of some people who say that people who are in long-term-care facilities or chronic facilities, if they're able to make financial contributions to their stay, are required to do so, and under legislation so are people in psych centres, but that hasn't been implemented? What is the rationale? I hear you saying you're not implementing it at this time. What's the rationale for it?

**Ms Hill:** Actually, the idea has come up several times over the last few years, and one of the things we've been



doing is trying to determine, actually assessing, whether the patients are very different in our psychiatric hospitals than in the long-term care system or the chronic care hospital system. We've been working very closely with those other areas of the ministry.

The second activity has been that we are aware that one of the ways in which the psychiatric hospitals has been moving to provide tertiary specialized care services is through cooperative arrangements with long-term-care facilities, moving patients who can be more appropriately served in a long-term care facility so that the tertiary care resources can act as an appropriate support to those services. Many of our psychogeriatric programs have actually downsized considerably over the years, quite naturally through this process, so our resources have been moved more into what we call psychogeriatric outreach teams and specialized training.

In the mix of all those changes it was felt currently to be quite difficult to introduce the copayment. Many of the patients who are in the psychogeriatric beds have been there for a very long time. We understand that there may be some policy logic to having equity across the system. I don't think we've said we'll never consider it, but in the consideration of all the other things that are going on, the timing didn't seem appropriate.

**Ms Shelley Martel (Sudbury East):** Thank you, the three of you, for presenting here today. I want to begin by asking about your waiting list, because certainly the auditor has made note of the fact that it was not being tracked and you've told us today that you have a mechanism in place now to monitor that waiting list. Can you tell the committee how long your waiting list is now, and can you describe the nature of it?

**Mr Ballantyne:** The waiting varies from program to program. As you've heard and as you've seen in the literature, there are six program areas. For some of those programs there's no waiting list at all. For others there's a waiting list ranging from approximately five, 10 individuals who may have been waiting up to three months.

Again, we try to provide specialized services to meet the needs of a very large area. We do that by working with the general hospitals in particular, and largely we've been moving towards referrals from acute care facilities, namely general hospitals, to access our services that for general hospitals, because of the nature of their role and the duration of length of stay they adhere to, isn't possible.

So yes, we agree that this is an important matter and we believe we're in a much better state to address any concerns around that in the future.

**Ms Martel:** Do you give that information to the ministry now? Is the ministry also tracking waiting lists out of institutions?

**Mr Ballantyne:** We don't supply that information to the ministry. It could be.

**Ms Martel:** The reason I'm asking is that I was wondering if you're really talking waiting list and to understand what the nature of the list is, of the people who are waiting, and for what services. It would surely be helpful to the ministry in planning for other services, be they community-based services or additions to institutional care. I'm just curious as to why there's no link there or connection.

**Ms Hill:** I think one of the aspects that needs to be understood is that without an information system, waiting lists are an indicator, they are not a science. Often we find for instance that people are on more than one waiting list. They may be on a waiting list for a period of time, but actually find another service.

The most important factor that we encourage both the hospitals and ourselves to look at is readmission rates as well as new admission rates, because in essence what you're trying to do is track a population to see that they are getting the appropriate service. It can inform your program planning. If you have a very high readmission rate, maybe you need to make some changes in how you deliver the service. If you have a significant increase in new admissions or new people on your waiting list, you then need to determine whether they are there because they've been referred from another service or they are waiting at a number of other services and the nature of what they need.

The level at which I think it's most valuable is the program planning level and the service planning level. There are many activities at a local level that Mr Ballantyne could describe that are in a sense service planning activities with other providers which address these issues.

**Mr Ballantyne:** The important thing is not just arbitrarily to leave someone on a waiting list but to try to work with other partners in the support system generally to provide whatever support there can be until such time as the person accesses the programs. We may very well call on an community mental health agency that provides case management services or one that provides crisis intervention if the person is in a community program. But if they're in a general hospital environment, we will try to work on a regular basis with that facility and communicate regularly to ensure that we're trying to have them access our program in a timely fashion, because it serves nobody's interests to have long waiting lists for many of the reasons that Ms Hill described.

**Ms Martel:** You have set a system in place that is monitoring that. Has the ministry taken a look at the other facilities to determine whether or not there is a similar problem around waiting lists and a similar lack of mechanism to monitor that and made recommendations to either pattern at Whitby, or put in place in a different institution elsewhere some kind of system that would indeed track the same thing?

**Ms Hill:** I think that's a very good question. We would expect that the same kind of service planning took place at a local level with all our psychiatric hospitals. What we certainly do is share the auditor's report with all of our psychiatric hospitals and bring to their attention the same kinds of systems improvements that we would be expecting them to make also. You can learn a lot from each other, as a group of administrators and hospitals, about how to improve practice.

**Ms Martel:** Can I ask about the consent-to-treatment legislation and how that is being monitored? You said, Mr Ballantyne, in your response, that you'd taken some very major steps to deal with both medical staff and other health care professionals about the legislation. Can you describe to the committee how a process would work



whereby a patient was advised of his or her rights, how that is documented and how you would now be in a better position than you were at the time the auditor went in, which clearly everyone can see shows very high levels of people who felt they had not been appropriately advised or had not granted their consent before treatment was actually provided.

**Mr Ballantyne:** This, as I said earlier, is a critical issue for any mental health facility. Maybe it would help the committee here if I just cited our policy on consent to treatment. This is our hospital policy, consistent with the legislation that applies, the Mental Health Act, the Health Care Consent Act and so on.

We want to respect the dignity and the rights of the individual, at the same time ensuring that the person does access appropriate treatment and that they're properly informed on consent to treatment where that's possible, and where it's not possible, to follow the procedures that are necessarily there.

1130

Just very quickly citing the initial statements in our policy:

"No treatment shall be initiated at Whitby Mental Health Centre without the consent of a capable patient or substitute decision-maker in accordance with the Health Care Consent Act and Mental Health Act. The policy applies to inpatients, outpatients and assessed and not admitted patients. It is the responsibility of the health care practitioner who proposes the treatment to follow the procedures outlined. If a patient has been found incapable to consent to treatment, the consent of a substitute decision-maker, in accordance with the hierarchy of the Health Care Consent Act, must be obtained in writing. A separate consent for an incapable patient must be signed by the substitute decision-maker for testing such as HIV, electroconvulsive therapy or clozapine treatment."

These are elements of the policy that we've adopted. It's actually a five-page policy which outlines very clearly for all the professionals in the facility what the requirements are, legislative and otherwise, and what the standards are for our facility.

We have had many discussions. We established a task force. As you know, there were several variations in legislation over the last six or seven years. We had a task force established to serve two purposes: (1) to ensure that we were current across the facility as to what the legislation was and changes in legislation; and (2) to more effectively educate our staff and our patients, and by extension family members of patients, as to what the legislation is, because it's complicated legislation.

It's difficult for someone who comes to the facility to understand what their rights are, what they can and can't agree to. There's a great onus on us as a facility and the practitioners, the professionals, to ensure that they follow the legislation here. We've made it a high priority in the facility to ensure that appropriate procedures are followed, that medical staff and other practitioners effectively document when treatment is being proposed, what the possible implications of that are, whether the person was properly informed and whether they did or didn't agree, and of course as I outlined in the situation where someone is not capable, the procedure for a substitute decision-maker and the hierarchy for that.

**Ms Martel:** The hospital policy document which you just referred to, was that developed then as a consequence of the auditor's recommendations?

**Mr Ballantyne:** We did have a policy in place, but it certainly spurred us to review and make the policy more comprehensive, stressing elements of the policy, the philosophy behind that, and it proved to be very helpful.

**Ms Martel:** I'm not sure if the task force is still in place, but as a consequence of that change and as a consequence of trying to respond to the auditor's report, do you have some kind of mechanism now in place to monitor how well that hospital policy is being implemented? Do you review cases on a quarterly basis, monthly?

**Mr Ballantyne:** Yes, we have a thorough audit process, a multidisciplinary audit procedure, plus in our health records area there's an audit for documentation. We have instituted what we believe to be a fail-safe method where we cannot complete a chart unless all the elements consistent with the policy have been addressed at various stages along the treatment path. We're confident that we're in a much better position to pilot the legislation.

**Mr Marcel Beaubien (Lambton):** I have a very short question. Ms Hill, first of all, thank you very much for coming. You pointed out in your opening statement with regard to the Whitby Mental Health Centre that a strong community system improves the quality of life of the patient. Mr Ballantyne, I think you also described the facility as an environment which is a century ahead of its time which meets the needs of the current population in the area. Am I pretty close in saying that?

**Mr Ballantyne:** I don't think I said it was a century ahead of its time. The new facility is state of the art, which replaced a facility which last year at this time was a century behind the times.

**Mr Beaubien:** So then it's a modern facility we have. There has been some controversy in the past few days with regard to facilities that are proposed to close in Ontario. My question to you is: Are the facilities the Health Services Restructuring Commission is proposing to close the same types of facilities that we're looking at in Whitby?

**Ms Hill:** I'm not sure. I don't have the dates when each of these hospitals was built. I believe Brockville is quite old, St Thomas is quite old, and I believe London is a newer facility. I don't have the exact dates, which is why I'm hesitating.

**Mr Beaubien:** Would those facilities meet the needs of patients in 1997?

**Ms Hill:** The hospitals are doing their best to meet the needs of the patients. They have considerably fewer inpatients than existed, say, 80 years ago. You have to remember the context in which these facilities were built. They were built for a much larger inpatient population and completely different methods of treatment 100 years ago. We had virtually no drug therapies 100 years ago. The philosophy of care was radically different 100 years ago, so often I believe many of these facilities like Ron's were ending up only using a very small part of their facility.



**Mr Beaubien:** In other words, it would be fair to say that the quality of life of patients in those facilities may not be the same as the one the patients in Whitby might experience.

**Ms Hill:** I think this is a question of how much weight you're going to be putting on the building and how much weight you're going to be putting on the clinical care. Clearly from our perspective the care given, the quality of the programs and the clinical staff are more significant elements than environment. Ideally you can marry the two.

**Mrs Brenda Elliott (Guelph):** Thank you for coming today. I have a question relating to the copayments. I come from Guelph and we have a terrific facility there called Homewood, which is primarily a private institution, although it takes some patients under an arrangement with the province.

As I'm reading the notes here, I guess under the Mental Health Act, financially capable patients admitted were responsible for their maintenance. Then the Insurance Act was changed in 1994 to permit a copayment, which was never enacted in regulation. When you were asked earlier about it, your answer was that particularly psychogeriatric patients are there a long time. The inference from that was that there was a problem with payment, I guess. But then you also went on to say that many of them have been downsized to other facilities; I'm assuming they're long-term-care facilities. I'm still not clear on the reasoning within the ministry about the philosophy of copayments, not only in your area of expertise, the psychiatric institutions, but also as it would pertain for instance to another hospital setting. Can you elaborate more on that for me?

**Ms Hill:** I'm not in a position to be able to elaborate on the copayment policy in general in the ministry. The rationale for psychiatric hospitals has been that probably our focus has been primarily to ensure that people are in the right facility by careful planning on an individual basis. The size of many of the psychogeriatric programs is quite small at this point. It has been, with all the other planning, to shift resources to the community and work closely with the long-term-care area, that the decision has been made at this point not to implement copayment in psychiatric hospitals.

I don't think we've eliminated it completely as a possibility because we recognize that the inconsistency in policy can be problematic and can create incentives to be on either side of the House. With the other initiatives the psychiatric hospitals have been implementing, this was one we weren't implementing at this time.

**The Chair:** Mr Shea.

1140

**Mr Derwyn Shea (High Park-Swansea):** I have a couple of quick questions. In terms of this particular facility, is there in place what I would refer to as, in layman's terms, a ombudsman system?

**Mr Ballantyne:** As a provincial psychiatric hospital, there is a patient advocate and a part-time rights adviser on site.

**Mr Shea:** Explain a little bit about the patient's rights role.

**Mr Ballantyne:** The role of the rights adviser is to inform newly admitted individuals what their particular

legal rights are under the existing legislation and in an informal way certainly provide information to them about the facility and about what they might expect with respect to certain treatment.

**Mr Shea:** What would be the volume of admissions on a weekly basis?

**Mr Ballantyne:** On a weekly basis?

**Mr Shea:** Yes.

**Mr Ballantyne:** Last year we had 707 admissions. That was reduced because of the OPSEU strike about a year ago at this point.

**Mr Shea:** You're talking about an average of about 15 a week.

**Mr Ballantyne:** Yes.

**Mr Shea:** You used the words "part-time" when you talked about that position.

**Mr Ballantyne:** The rights adviser.

**Mr Shea:** "Part-time" meaning how much time?

**Mr Ballantyne:** I believe she's half-time. There is a full-time patient advocate, who, in the absence of a rights adviser, can provide that function.

**Mr Shea:** I see. What are the qualifications of the patient advocate?

**Mr Ballantyne:** The patient advocate program is independent of our management structure and is set up on that basis.

**Mr Shea:** Provided by whom?

**Mr Ballantyne:** I'm not privy to the selection process or the qualifications for it.

**Mr Shea:** Fair enough. Who does the patient advocate report to?

**Ms Hill:** Perhaps I can describe the program.

**Mr Shea:** Please.

**Ms Hill:** The patient advocate program was created over 10 years ago as a program that is, in a sense, semiautonomous. The actual provincial program does report to me, so they are government employees, but they are given greater independence by virtue of their role in the psychiatric hospitals of monitoring both clinical practice and ensuring that patients are not being abused or mistreated. They're given a little bit more independence.

**Mr Shea:** But they report to you.

**Ms Hill:** The director of the program reports to me.

**Mr Shea:** What are the qualifications of the advocates?

**Ms Hill:** They range from social work degrees; some of them have been trained — I'm not sure if any advocates are lawyers, but in the past they have been.

**Mr Shea:** Some are lawyers?

**Ms Hill:** Yes.

**Mr Shea:** They are full-time advocates?

**Ms Hill:** Yes, most of the hospitals have a full-time advocate. They focus on a variety of levels of issues, whether it is actual incidents that take place or what we call systemic issues, where programs, in the way that they're run, are considered to be not sufficiently appropriate; to broader-level issues to do with the policies and procedures of the hospital or the mental health system.

**Mr Shea:** Would they sit at the medical —

**The Chair:** I'm sorry, Mr Shea, but your colleague Mrs Elliott —

**Mrs Elliott:** Don't interrupt him.

**The Chair:** Good. Is there an understanding between you two? Mr Shea, carry on, one short question.

**Mr Shea:** There are going to be a lot of commas in this one, then. Would those advocates sit at the medical council table at the facility to be permitted to make comments in terms of the medical-psychiatric intervention — dash — what is the link between your facility and general hospitals in terms of feeder mechanisms — dash — what is happening to the community advisory boards? My understanding is that they are being eliminated, and I want to know why. That was just a brief question, Mr Chairman.

**The Chair:** Dash.

**Ms Hill:** Perhaps I could have Mr Ballantyne answer the first dash and then I'll answer the second two dashes.

**Mr Ballantyne:** Basically, the patient advocates have rights to access records and to query any aspect of the operations of the facility in many respects. They take an approach which is constructive and consultative. If an issue has been identified by a patient, they follow instructions from that patient. They then query with the treatment team. If it's a physician or a member of a multi-disciplinary team, their first approach would be to sit down and discuss the concern there. Ultimately it can be brought to my attention if there isn't clarification or resolution of the issue that's addressed.

**The Chair:** That's one dash; good enough. Your time has expired, Mr Shea. We'll go on to Mr Patten, and we'll alternate.

**Mr Patten:** I gather throughout the province there are waiting lists in different capacities, and I appreciate your description somewhat of the waiting lists, but it's still not adequate.

The referral from general hospitals — people are usually referred to the psychiatric hospital if it's an extreme case, of course. Are you at maximum capacity now?

**Mr Ballantyne:** The new facility was built with a capacity of 325 inpatient beds, but we are currently at 285. The difference is the 40-bed, medium-secure forensic unit, which is under development. We're at capacity.

**Mr Patten:** You're at capacity now in a growing environment, so you're going to be presumably receiving more and more pressure. I think the act doesn't provide the flexibility for general hospitals which may have adequate psychiatrists or what have you to perform assessments because it only refers to those without consent who are committed for assessment. They must go to a psych hospital, right? That's my understanding. For involuntary assessments, they must go to a psych hospital.

**Mr Ballantyne:** No.

**Mr Patten:** That's what the act says.

**Mr Ballantyne:** The Mental Health Act basically says that when a physician or medical practitioner — and there are of course other avenues through the courts — identifies someone to be in need of assessment, he or she can direct that the person is taken to the nearest psychiatric facility. That doesn't necessarily mean a provincial psychiatric hospital. That may mean, and should mean in most cases, if there is an acute state, the general hospital that has a psychiatric unit.

**Mr Patten:** Yes, the interpretation is not usually being followed along those lines, though, is it? My reading is that the general hospitals have tended to resist responding except — certainly not in terms of the more severely ill cases.

**Mr Ballantyne:** I don't know exactly, but my experience in our catchment area, and we have 11 general hospitals with psychiatric units, is that there is an effective partnership between the facilities, and there's a will not to compete or divert someone who may not be preferred to be part of their program to another facility. We've established a mechanism in our particular service area to ensure that doesn't happen; that the interests of the person who needs the help are met as best as possible with whatever the resources are.

We know that the resources aren't perfect, but there are ways to provide quality services in the current environment for people who are most seriously mentally ill. Our mandate, as a mental health centre, is to serve the most seriously mentally ill. We believe we are trying to do the best we can for that needy group, supplemented by the work of general hospitals and, again, the important role the community mental health sector contributes and other practitioners: general practitioners, psychiatrists, private practice, GPs and the like. There's a will and there's a need to ensure that we have a collective, consistent and coordinated approach to this population. It's a difficult area. You know it has special needs. There's great diversity in the populations. That's all the more reason why those who are providing mental health services have to be in sync to make it happen in whatever area we're talking about, whether it's eastern Ontario, the 905 area or the GTA area that we're part of. That's absolutely critical now and will become even more so in the years ahead.

1150

**Ms Martel:** The auditor made a specific recommendation around the tracking of chemical and mechanical restraints, and you said to this committee that there is a monitoring system that you now have in place. I'm assuming that includes the pharmacy as well in tracking of information around chemical restraints that wasn't in place beforehand.

**Mr Ballantyne:** That's correct, yes.

**Ms Martel:** Have you had enough time to look at that data and to observe any kind of particular trends that you've had to respond to or has the system not been in place long enough to really make an evaluation?

**Mr Ballantyne:** No. We haven't had sufficient time. Actually, the system was only developed very recently, so it's too early.

**Ms Martel:** I'm going to assume, as per a previous question I raised around another issue as to whether or not other institutions are being made aware of the changes as a consequence of the audit, that this particular issue is also one that other facilities have been made aware of, because I think it's an important issue.

**Ms Hill:** Absolutely.

**Mrs Elliott:** Just to go back to the payment issue, prior to 1994, a financially capable patient admitted to a psychiatric hospital was responsible for their maintenance; is that correct?



**Ms Hill:** Was responsible for — I'm sorry?

**Mrs Elliott:** For their maintenance; they paid for part or all of their accommodation, treatment?

**Ms Hill:** No.

**Mr Patten:** No. That was the policy.

**The Chair:** What is the answer?

**Ms Hill:** No, it was not.

**Mrs Elliott:** A patient did not pay for any of this?

**Ms Hill:** No.

**Mrs Elliott:** In 1994, then, the act was amended to permit a copayment charge?

**Ms Hill:** The Health Insurance Act was changed to allow for it, but a regulation was not brought in.

**Mrs Elliott:** So a patient could contribute?

**Ms Hill:** A regulation would have to be passed to implement it. In other words, the provision was made in the statute that this could be pursued through regulatory means.

**Mrs Elliott:** The decision on the ministry's behalf, then, not to do this was because it felt perhaps that the type of patients were financially incapable or that if this policy was implemented in this section of the ministry, it would have to be applied across the ministry or in other ministries?

**Ms Hill:** It already did exist in long-term care. At that period of time, it did exist in long-term care and chronic care. I believe at that time — I'd have to check my information — they were different copayments. Part of the process has been to look at both of those and ensure that there's consistency. We're a third piece of the equation that will have to continue to be examined.

**Mrs Elliott:** Why aren't we looking at that now?

**Ms Hill:** We haven't looked at it currently because of the other changes taking place in the psychiatric hospitals.

**Mrs Elliott:** I'm sorry, I couldn't hear you.

**Ms Hill:** Because of the other changes that have been taking place in the psychiatric hospitals. The actual impact would be that people who are long-stay or psychogeriatric would have a copayment apply to them. Given that it is not a very rapidly changing environment, you could obviously implement it so that it's new people and not necessarily the people who are in the service. But potentially, in terms of people who have been there for a considerable amount of time, you could have people having to face a copayment for the first time for their family member. Given the other changes we've been pursuing with mental health reform, the community investment fund and a variety of other strategic initiatives that the psychiatric hospitals have been involved in, we decided not to implement it at this time.

**The Chair:** Maybe we can have another quick round, Mr Patten, M. Lalonde.

**Mr Patten:** I want to give Ms Hill a chance to respond. I think she wanted to respond to my last question.

**Ms Hill:** Now I have to remember it.

**Mr Patten:** The information I have is that while someone may be able to go to a general hospital — and this may be unique in this area, but in other areas the psych hospitals are telling me that the general hospitals are not assuming their rightful responsibility as perceived

by the ministry or as the intent of the act was, that they're passing it over and putting tremendous pressure on the psych hospitals because they don't want to have anything to do with it, because they feel that they don't have the capacity to deal with the more severely ill patients.

**Ms Hill:** Perhaps I can clarify two pieces of information. Under the Mental Health Act, schedule 1 units in particular do take involuntary patients. The ministry actually collects information on the involuntary admissions. From a legislative point of view, they can do it and do do it.

The piece of information I'd like to put as a context piece is that we have the mental health survey that says essentially that 20% of the adult population has a mental disorder. We know that a huge part of that population — not huge, but I think it's 25% — has no contact with the mental health system; a great number of people who do, probably rely on a psychiatrist or another practitioner as well as use of a schedule 1 unit or other inpatient units in public hospitals on a short-term basis. The schedule 1 units have reported to us that they are definitely seeing populations that are perhaps more acute, which is appropriate to their role, and, through a variety of efforts to become more effective and efficient, a shorter length of stay. So they're in fact seeing a larger volume of patients.

Perhaps where it becomes more difficult is that if a person presents in an emergency room — many of the schedule 1 units do most of their admissions through emergency — they may encounter patients who have more acute or chronic mental illness, and that's where the partnership between the provincial psychiatric hospital as well as effective community programs is critical. This really is the intent of our whole mental health policy: to have the various providers work more effectively together.

Another piece of the equation is that there are services that we know from the literature are very effective at helping people stabilize in the community. Probably the three critical ones are case management, for the severe and persistently mentally ill; crisis response, and that could be for someone who might have an acute episode but only be admitted twice a year for short lengths of stay, and you can in fact intervene more effectively if you stabilize a person early on before they come to emergency and before they are either quite psychotic, acting out or suicidal; and the third being community treatment teams, which is something we've been implementing slowly in Ontario and hope to do more of.

These teams are really intensive community treatment for the severely and persistently mentally ill, involving daily monitoring of care, daily provision of care. It is something we see as being a fundamental piece of the service system that will help people stabilize in the community but also prevent the pressure on the door to a hospital and also the pressure on the court system, since you're actually reaching people and maintaining people in a continuous way in their communities. We have several of these: one in Ottawa, one in Windsor, a couple in London and a couple here, and they really are tremendously effective.

**The Chair:** One short question, Mr Martel.

**Ms Martel:** I'll defer to Mr Shea so he can ask about community advisory boards.

**Mr Shea:** I really do want to make sure we get that answer. There have been a series of community advisory boards established. I note that there is some question that the one in Whitby is disappearing. I'd like some confirmation of that, if it hasn't already disappeared. Can you give me some background on that and whether this intends to be a systemic decision on the part of the ministry, and then, if you can, just perhaps finish off with my colleague's comments about the copayment and why in fact the legislation was changed but regulations not effected.

**Ms Hill:** The community advisory boards have been a very important piece of the psychiatric hospital system for perhaps two or three reasons; one is that these are regional facilities. That's one of the important aspects of these hospitals, that they have truly worked towards being regional services, and the community advisory boards have had regional representation. They've acted as a very important voice in their communities locally as well as a voice back to the hospital.

The Woods committee, when they reviewed the community advisory boards, recommended that as the government pursues alternative delivery for psychiatric hospitals and if the hospitals become established as public hospitals or specialty hospitals and have a full governing board, the community advisory boards be eliminated in that context. In other words, we have no plans to eliminate community advisory boards unless a full governing board is created.

**Mr Shea:** A full governing board meaning that people from the local community might well be on that board?

**Ms Hill:** And running it, yes, like any other public hospital board. That's what I mean by a governing board.

**Mr Shea:** So I'm clear what I'm taking from this: Residents of the community would in fact be running the hospital?

**Ms Hill:** That's right. The challenge again will be to ensure regional representation on that governing board.

**Mr Shea:** The final part to that question was, in 1994 the legislation was changed to permit copayments, but you didn't get around to making any changes to regulations. Can you explain why?

**Ms Hill:** I think I've answered this in previous questions, perhaps not to the satisfaction of the committee. Essentially the reason for not pursuing regulations at that time was the other activities we've been involved in, in changing and integrating the psychiatric hospitals with the full mental health system.

**Mr Shea:** Yes, you did say that. You can understand the curiosity that I have. Why would a government move in the direction of in fact amending legislation and bring it in but not do the regulations? Isn't that a curious step to take if you didn't have intentions to do it?

**Ms Hill:** I think we probably did have intentions and revisited the intentions.

**Mr Shea:** After you had done the legislation?

**Ms Hill:** Yes, and I think that we are, again, not eliminating it as a possibility, because we continue to look for cross-system linkages and integration, and we do recognize that by not making these changes in the psychiatric hospitals it can create an imbalance. I know the ministry is concerned first about ensuring consistency between chronic care and long-term care, and I think in time this piece will be examined again.

**The Chair:** Thank you. It being after 12 o'clock, I'd like to thank our three witnesses this morning. This committee is adjourned until next Thursday, March 6.

*The committee adjourned at 1204.*



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**Clerk / Greffière:** Ms Donna Bryce

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## Assemblée législative de l'Ontario

Première session, 36<sup>e</sup> législature

# Official Report of Debates (Hansard)

Thursday 6 March 1997

# Journal des débats (Hansard)

Jeudi 6 mars 1997

## Standing committee on public accounts

## Comité permanent des comptes publics

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## LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON  
PUBLIC ACCOUNTS

Thursday 6 March 1997

## ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

COMITÉ PERMANENT DES  
COMPTES PUBLICS

Jeudi 6 mars 1997

*The committee met at 1006 in room 228.*1996 ANNUAL REPORT, PROVINCIAL AUDITOR:  
SECTION 3.12, ASSISTIVE DEVICE  
SERVICES ACTIVITY

## MINISTRY OF HEALTH

**The Vice-Chair (Mr Richard Patten):** We'll open the meeting. We have reps from each of the parties and we expect more members to arrive. We have some witnesses from the ministry with us this morning and they have a brief presentation. Is it the wish of the committee that we continue as we did last time, 10 minutes for each caucus? Is that all right? All right.

Gentlemen, welcome to the meeting. If you would introduce yourselves, we await your presentation.

**Mr Geoffrey Quirt:** My name is Geoff Quirt and I'm the acting assistant deputy minister for population health and community services. On my right is Mr Mark Cox, who is the director of the assistive devices branch of the Ministry of Health.

With your permission, we'd like to proceed by providing the background information on the Ministry of Health's home oxygen program that you requested in your last discussion, and following that, respond specifically to the four questions you raised in your February 27 letter to Margaret Mottershead, the Deputy Minister of Health. On behalf of Margaret Mottershead, I'd like to apologize that she's not here. She wished to be, but she is elsewhere this morning. We have a short presentation, and then we'll be pleased to try to answer your questions.

The standing committee on public accounts requested at its meeting of February 13, 1997, that the Ministry of Health provide information with respect to the Ontario home oxygen industry. Specifically, the committee wanted to know the ministry's intentions concerning its pricing policy, who were the major companies, their connection to the association, the association's objects, and comparisons of oxygen pricing with other jurisdictions.

The following report is the ministry's preliminary response to this request. Further research is being undertaken on how other jurisdictions operate and pay for their home oxygen programs.

Effective April 1, 1997, the ministry will replace the current three-rate reimbursement structure for home oxygen with a single rate, and has extended the current agreement by two years to March 31, 2000. The current agreement with the Ontario Home Respiratory Services Association and the Ontario Hospital Association has three rates which recognize the three most common types of equipment needs for home oxygen clients:

(1) Concentrators with cylinders for backup and limited mobility at a rate of \$347 per month currently;

(2) Concentrators with cylinders and a conserving device for enhanced mobility at a cost of \$437 per month; and

(3) Liquid oxygen, usually with a concentrator for home use, for people who are on a high flow rate for their oxygen, can't tolerate the cylinders with a conserving device but require enhanced mobility. The cost for this level of service is \$526 per month, the rate that the ministry pays to providers.

The Ontario Home Respiratory Services Association approached the ministry in the fall of 1996 seeking an extension of the current agreement to March 31, 2001. The ministry agreed to extend the agreement to March 31, 2000, on the condition that there be a single rate rather than the three rates. The Ontario Home Respiratory Services Association asked for a single rate of \$437 per month. The ministry said that the rate would be \$425 per month effective April 1, 1997.

This request by the association to open up the current agreement has given the ministry the opportunity to eliminate a potential incentive for liquid oxygen to be used rather than a suitable, less costly alternative, and it's given us the opportunity to free up staff resources to advance our plans to pilot the independent assessment process that the Provincial Auditor supported in his 1996 audit.

The home oxygen program and the respiratory component of the assistive devices program represent the majority of the respiratory services industry's revenues in Ontario, so price stability is important to the owners of these companies.

Why a single rate? The ministry began funding home oxygen in 1974 and there have always been separate reimbursement rates for liquid and concentrator users. Since 1993 the reimbursement rates for home oxygen have been lowered 33%, from \$793 in 1993 to \$526 per month currently. It's also been lowered by 12%, from \$395 per month to \$347 per month, for concentrators. The larger reduction in the liquid rate relative to the reduction in the concentrator rate is the reason expenditures on liquid have fallen from 72% of the total expenditures in the early 1990s to 52% in the past two years. So the government's payments for these services have been going down since 1993, not up.

The ministry and the Ontario Hospital Association have supported a single-rate structure for several years. The Ontario Home Respiratory Services Association has argued that the rate structure should reflect the relative costs of delivering the various modalities. This is why the rate for concentrators was established separate from the rate for liquid in 1991 and continues to this day.



The ministry prefers a single rate because it gets the ministry out of the business of adjudicating modality. A single rate provides certainty for the user, the supplier and the physician that the ministry will fund whatever modality is prescribed. The removal of the uncertainty on funding is why the industry is now supporting a single rate.

A single rate is also fairer for the hundreds of clients who have to pay 25% of the cost, since a single rate means everyone pays the same amount regardless of the modality that the person needs.

There are more people on oxygen in Ontario per million population than in most other jurisdictions. We feel this may be because physicians rely heavily on the advice of professional staff employed by the suppliers to determine whether a patient meets the ministry's medical criteria. The Provincial Auditor confirmed our understanding that the majority of tests to see if people meet the ministry's medical criteria for funding are done by therapists who are employed by the suppliers. This testing is not an exact science, particularly if oximetry testing is used.

With a single rate, the ministry can use the resources we now use in adjudication and transfer those resources to ensure that people who do not have a medical need for oxygen do not get on the program in the first place. Persuading a physician to put someone on a concentrator rather than liquid in the current environment saves the program \$2,148 per year. Not having someone on the program because they don't have a medical need for oxygen would save the program \$5,100 per year, or over \$25,000 over five years, the average length of stay of our users. Independent assessments will also make it more likely that people get the modality that best meets their needs, not the one that is most profitable for the supplier.

The ministry saw the Ontario Home Respiratory Service Association's request for an extension of the agreement on pricing as an opportunity to free up staff resources to undertake independent assessments of eligibility, and as a way of speeding up the transition away from liquid as the only modality for mobile oxygen users.

It follows that to the extent the single rate is successful in encouraging less use of oxygen, then average expenditures will decrease. This may be offset by concentrator users switching to or using conserving devices. Any net bonus to the industry from a single price will be more than offset by the millions of dollars that will be saved by concentrating efforts on assessment.

It must be emphasized that the current rate structure with separate rates for liquid and concentrators would not achieve the 35% objective for liquid, whereas a single rate should.

What is the experience in other jurisdictions? It is difficult to compare Ontario with other jurisdictions because most do not base their price on a comprehensive package as Ontario does. The Ontario monthly rate includes installation, training in its use, equipment rental and maintenance, the cost of the gas and its delivery to the home, professional respiratory services, supplies such as masks, tubes and 24-hour emergency service.

The United States medicare has a monthly rate of C\$475 for concentrator users and C\$715 for liquid users, considerably higher than the Ontario rates of \$347 and \$526 respectively. Alberta has rates that range from \$337 per month to \$468 per month, depending on what the person needs. However, they do not fund liquid oxygen. Saskatchewan pays \$410 per month but does not fund liquid oxygen. By not funding liquid, Alberta and Saskatchewan are discriminating against the person who has a high flow rate and cannot tolerate the use of a conserving device, our customers would argue.

It is interesting to note that Alberta relies on staff of suppliers to do the assessments for eligibility. In the mid-1990s they did an independent assessment pilot where professionals paid for by the Alberta government did the assessment. The results of the study show a significant reduction in the numbers who qualify when the government pays for the assessment. The industry went to court to prevent the publication of the results, claiming the pilots were not conducted fairly.

The United Kingdom has tendered for oxygen. We have unconfirmed information that only a concentrator is funded in the United Kingdom and that the supplier in paid \$250 in the month of setup and \$100 every month thereafter.

What is the makeup of the Ontario oxygen supply industry? The majority of oxygen suppliers are private sector companies, although there are seven hospitals registered with the ministry and others that have entered into joint ventures with private sector suppliers. These suppliers each have a contract with the Ministry of Health that outlines their commitments and the ministry's commitments with respect to delivering the home oxygen program.

The suppliers must meet ministry requirements such as liability insurance, financial stability, a qualified workforce, a permanent location that provides direct access to the public during normal business hours and emergency service on a 24-hour basis. The suppliers can be audited by ministry auditors or staff of the Provincial Auditor, and contract violation can be grounds for terminating the contract.

The private sector oxygen suppliers are represented in their dealing with the ministry and other third-party funding agencies by the Ontario Home Respiratory Services Association, OHRSA. It in our understanding that about 17 of the 39 private sector suppliers belong to OHRSA; however, those 17 companies serve more than 80% of the clients on the program. The OHRSA board of directors consists of six members, all of whom currently represent the four largest suppliers.

There are five multinational companies that supply liquid oxygen to the home oxygen suppliers who are registered with the Ministry of Health's home oxygen program. These companies are: Praxair, a United States-based company; Air Liquid, a France-based company; the Messer Group, a German-based company; the BOC Group, a United Kingdom-based company; and Air Products, also from the United States.

Concentrators, masks, tubing etc are purchased by the suppliers from a number of manufacturers and distributors. Four of the five — Praxair is the exception —



supply oxygen to the independently owned companies that are home oxygen program suppliers.

The majority of program expenditures — 75% — are to four companies: Medigas, 32%; Vitalaire, 25%; Professional Respiratory Services, 9%; and Respirecare, 9%. Medigas is owned by Praxair, Vitalaire is 50% owned by Air Liquide, Respirecare is owned by the Messer Group and Professional Respiratory Services buys its gas from the Messer Group.

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The seven hospitals that are vendors — Hotel Dieu Hospital in Cornwall, North York General Hospital, Oshawa General, Peel Memorial Hospital, Scarborough General, St Joseph's Health Centre in London and St Thomas in Elgin — represent 2% of expenditures. The other 23% of expenditures is by 35 small, independent companies that purchase their oxygen and related equipment from the five multinational manufacturers we've mentioned.

Over the past four years since the ministry began to manage oxygen expenditures, the number of companies has been reduced from 86 to 46, with Medigas, Vitalaire, Respirecare, Shoppers Home Health Care and Al Can Medical purchasing the clients and equipment inventory of those that have closed.

The industry has advised us that the number of employees across all companies has been reduced to 700 or 800 employees since 1992. The reductions, which total in the hundreds, have involved respiratory therapists, registered nurses, administrative and customer service staff and delivery personnel.

I'll now turn it over to Mark to respond to the four questions that you detailed in your February 27 letter.

**Mr Mark Cox:** As Geoff indicated, my name is Mark Cox and I'm director of the branch that is responsible for administering the home oxygen program.

The first question the committee had related to the details of the agreement that we've negotiated with the home oxygen suppliers. The home oxygen program pricing agreement that the ministry has with the Ontario Home Respiratory Services Association and the Ontario Hospital Association is intended to give the oxygen suppliers the pricing stability they require to manage and plan their businesses. The agreement was originally formalized in a March 15, 1995, letter from the assistant deputy minister, Ministry of Health, to the presidents of OHRSA and the OHA. The letter outlined several conditions which the ministry and the associations have agreed to, including the right of the ministry to reduce reimbursement rates notwithstanding the price stability commitment if this is necessary to meet the ministry's funding allocations.

Other agreed-upon principles and conditions include: Funding should be available only to those who have a medical need for oxygen; modality selection should be based on the least-cost alternative; the budget should reflect utilization increases; the ministry commits to price stability provided OHRSA and the OHA assist the ministry to develop options to live within the allocation each year; the three parties will share information on utilization and modality changes.

It's important to note that while the agreement forms part of the contracts that the ministry has with each of the 46 individual companies, the contracts do allow the minister to change the contract unilaterally. This means that the pricing agreement, including the pricing structure, could be altered unilaterally by the minister.

The agreement which was due to expire on March 31, 1998, has been extended for an additional two years, to March 31, 2000, and the single rate of \$425 will be in effect as of April 1, 1997. We know we've got a good deal or we feel strongly we've got a good deal because the president of OHRSA has indicated to us that the association is not happy with the \$425 rate. However, the ministry has confirmed its decision to proceed effective April 1, 1997.

There is no formal price negotiating procedure outlined in legislation or policy. The ministry is free to change pricing for home oxygen unilaterally, although it has always chosen to seek input from the associations that represent the home oxygen suppliers. The ministry has no legislated authority under which it can request access to costing information from the businesses that supply home oxygen. They have been understandably reluctant to volunteer this information when they know we may use it to reduce reimbursement rates. In the absence of this information, we have made arbitrary reductions to reimbursement rates on a consistent basis since 1991.

The total annual payments under the agreement will depend on how successful the ministry is in reducing expenditures through management actions during the term of the agreement. These will include independent assessment pilots or direct involvement in eligibility determination and modality selection by health professionals who are not employed by the suppliers. The agreement is a commitment to a number of principles, including price stability. It does not bind the ministry to a specified payout over the life of the agreement.

The second question related to the methodology used by the ministry in determining that renegotiating its agreement with the suppliers would provide a cost savings to the taxpayers of Ontario and also requested a comparison with the savings that would have resulted from reducing liquid oxygen usage under the previous agreement.

The new pricing structure, which comes into effect April 1, 1997, has a built-in incentive to reduce expenditures on liquid. Under the current agreement, there is no incentive that will reduce expenditures on liquid. In fact, the average payment under the program has increased marginally, from \$421 a month to \$425, in the past 18 months and liquid expenditures have increased to 52% from 51% of total expenditures. Prior to the last reduction in the liquid rate in late 1994, liquid expenditures were approximately 60% of expenditures.

There's reason to believe that the average monthly expenditure will not reduce and may even increase over the next few years under the current rate structure, which pays a \$179-per-month premium for liquid. One of the reasons the average rate may go up is the introduction last fall of a new rate of \$437 per month to allow concentrator users to access oxygen-conserving devices and cylinders to give them more mobility. Another reason



is that there are over 4,000 people who have been on the program since before the ministry introduced medical criteria and who do not meet the criteria. It has not been possible to wean them off their psychological reliance on oxygen. Most of these people are on liquid. Also, the pricing of \$426 per month under the current agreement for liquid and \$347 for concentrators still makes it attractive for the supplier to encourage liquid for new clients.

We have found it very difficult to adjudicate with physicians and consumers to force the use of concentrators, rather than liquid, for people who should only need a concentrator system. If the ministry gets directly involved in the assessment process, we should be able to influence the choice of modality much more easily than we can in the existing environment, where the physician, with the help of the health professionals employed by the suppliers, makes a decision several weeks before the ministry gets involved.

Independent assessment should accomplish the twin objectives of reducing expenditures and having fewer people on liquid. OHRSA has agreed to cooperate in assisting the ministry to conduct independent assessment pilot projects beginning early in fiscal 1997-98. The new agreement reduces the payment for liquid by \$101 per month and increases the payment for a concentrator client by only \$78 per month. This should encourage a movement away from liquid. Each time this happens, the program will save \$276 per year.

We would like to stress that the new agreement should not increase total costs, since the monthly payment will be equal to the current average, whereas the current agreement has the potential to increase costs and to do nothing in terms of reducing expenditures on liquid.

The Provincial Auditor estimates that we would save \$3 million per year if we were to reach a target of 35% of expenditures on liquid under the current rate structure. The problem is that the existing rate structure makes it virtually impossible for that 35% target to ever be reached.

The third question related to criteria and justification for negotiating rather than tendering for the purchase of oxygen. The ministry could tender for oxygen, and it would undoubtedly result in a lower monthly payment. The government needs to consider, however, that the number of home oxygen suppliers has been reduced from 86 to 46 over the past four years because of the ministry's actions, which have reduced oxygen expenditures from \$84 million a year in 1992-93 to a forecast \$52 million in the current fiscal year. This has meant the loss of hundreds of jobs in the industry since 1992. Tendering would reduce the 46 companies to one company, or two to three if regional tenders were offered, and result in the loss of many more jobs and the closure of all of the small, independent suppliers.

If the ministry were to decide to award a tender, it would have to terminate the contracts it has with the individual suppliers. There is 30-day escape clause in these legal contracts. This could be done prior to the termination of the existing pricing agreement that expires on March 31, 2000. As part of the tender process, the ministry could ask for the detailed costing information

that has not been available to date to assist in determining a fair reimbursement rate for home oxygen.

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The second part of question 3 related to the processes that the ministry follows in negotiating with sole suppliers, such as manufacturers of products covered by the Ontario drug benefit program. Mary Catherine Lindberg and Linda Tennant are here to address that question. If I could just do the last question, then you can decide whether you want to talk about drugs.

**The Vice-Chair:** Sure, go ahead.

**Mr Cox:** The fourth and final question related to the history of rates and consumption in Ontario over the past few years. In 1992, our expenditures on oxygen were \$83.6 million; in 1993-94, they were \$73.5 million; in 1994-95, \$68.7 million; 1995-96, \$56.1 million; and we're forecasting \$52 million for this year.

In terms of consumption, which we measure in terms of the number of people on the program, we had 18,400 people on the program in 1992-93; it went up to 19,400 in 1993-94; down to 17,100 in 1994-95; 16,900 in 1995-96; and we forecast about 16,000 on the program this year.

Responsibility for managing the program was transferred from the drug programs branch to the assistive devices branch two years ago. What we've been able to do with our computer system is monitor the number of client-months. We feel that's a fair way of doing it, since we pay based on the month. Last year, the client-months were 132,000, and this year we figure they will be 122,300.

That completes my answers to the four questions.

**The Vice-Chair:** Okay, fine. Does the committee wish to hear from the assistant deputy minister on the second part of the third question, or do you want to just proceed to questions?

**Mr Gilles Pouliot (Lake Nipigon):** We are ready to go to questions now, Mr Chairman.

**The Vice-Chair:** Okay. Let's begin with the NDP. They seem enthusiastic.

**Mr Pouliot:** Thank you very kindly and good morning and full appreciation of your valuable time and your concern with these issues. I am personally satisfied, and you're to be commended. Your track record is commendable indeed to focus on this relatively small but nevertheless important issue, because it did not go unnoticed by our Provincial Auditor. In fact, under scrutiny, there was a need for an encore, explaining your reason for being here this morning.

You've mentioned — I hope you did so with tongue in cheek — that you knew you had a good price because the suppliers were unhappy. I really admire your business acumen, but for members of the committee it might not suffice, because you don't go in for requests for proposals, you don't issue tenders. Well, they couldn't have been so unhappy as not to sign. What measures and mechanisms do you have to compare prices?

**Mr Cox:** My comment about the president of OHRSA was an attempt at humour, which is something I guess civil servants have trouble with. But no, we don't tender. It's that simple. We could tender. If the government wanted us to tender, we could tender. We do compare



with other jurisdictions. We think our price for a full package is better than what we've found in other jurisdictions that have the full package. It's really that straightforward.

**Mr Pouliot:** You think the price is better, but you don't convey a lot of confidence.

I see you as the client here, driving the hardest bargain with the taxpayers' dollar for the product that you're after. You speak of your responsibility about jobs and your concern about price stability, while next door they're about to lay off 3,000 people because of hospital closure. I have to take this with a grain of salt, the kind of solace. Look around you, look at your colleagues and you'll see fewer. With these people, you'll see fewer in the years ahead.

Do you feel — well, you don't know — that by tendering you could go at the very core of hard bargaining and drive a better bargain, a better bang for our tax dollars? But you don't know.

**Mr Cox:** I know that if we tendered we'd get a lower price. That's obvious.

**Mr Pouliot:** It's obvious. You've got 46 people in there who are saying, "Take me, take me," and you don't even issue a tender price. Is the fix in or what? I don't know. This is not a very good way of doing business, is it? No request for proposal, no tendering; just have a deal with the association. Not only this, then you extend the deal to the year 2000. You knew that the heat was on, that we were coming after you, but now because of contractual arrangements we have to look at that until the year 2000.

**Mr Cox:** That's not correct, sir. We could tender tomorrow if you want. That's what I was trying to say in my comments. The contracts are with the suppliers, not with the association. We could break those contracts and tender tomorrow if the government wanted us to.

**Mr Pouliot:** Will you tender tomorrow?

**Mr Cox:** I can't answer that question, sir. It's up to the Minister of Health to make that decision.

**Ms Shelley Martel (Sudbury East):** I would like to have a better breakdown of some of the costs that we asked for. You said earlier that you think our package price is comparable or better than what is offered elsewhere. I'm not clear what the package price is. I would like some more specific information about the actual cost of the oxygen, the cost of that being serviced, the cost of installation, the cost of the tubing. I ask for that because the auditor made it really clear that it might even make more sense if the ministry, for example, looked at buying a concentrator, which appears to cost about \$1,300 to \$1,500 and lasts from five to seven years, versus paying — now we're going to have a cost of \$425 per month ad nauseam. By more than far, the supplier recoups his or her money. You could have paid for that after four or five months, frankly.

I'd like to know what the exact costs are, as close as you can come, of some of these individual items. Because I want to know if the ministry looked seriously at the possibility of actually buying concentrators for people versus paying the kind of fee we're going to pay on a monthly basis, which is far beyond what the things cost.

Do we have any of those expenditures broken down in the so-called package?

**Mr Cox:** We know what our package includes. We don't have detailed costing on the elements of the package. The industry has never given that to us. We've never negotiated on that basis.

The problem is, if you buy the equipment — and that's what we do through the assistive devices program; we generally have the consumer buy it because they're on long term. We have a lot of people who get oxygen on palliative care who are on for just a few days, up to five years. That's one factor in not purchasing the equipment.

We could run a pool like we do for high-tech wheelchairs and communication and vision aids, where we'd distribute these concentrators from warehouses throughout the province and have the government administer the delivery of the program that way, but we'd need a lot more staff and a lot more support costs for that.

**Ms Martel:** I'm not convinced that's not one option that might actually cost less. I heard you tell this committee that there's going to be a cost saving here because some of your people are going to be freed up now to follow up on the independent assessments, yet I thought at the last committee meeting when you were here you made it clear to the committee that the ministry staff wasn't going to be doing the assessments at all; that work was going to be done by other people. I'm having a bit of trouble seeing where the big savings are here, because the ministry staff was not going to be doing the assessments in the first place. Some of the arguments you've given us as to why this is a better deal are, frankly, some arguments that I'm finding it hard to accept. That's one of them.

1040

**Mr Quirt:** I take your point that we haven't provided you with a breakdown of information on the costs within the rate, and we'll certainly be more specific if we can be about the breakdown of the range of services that's included in that rate.

With respect to the comments about whether the program would be tendered or not, our response at this time is that we have achieved a substantial reduction in the cost of the program through other management activities. We've gone from \$83.6 million in 1992-93 to, in 1996-97, an expenditure of \$52 million. That's a substantial decrease in the cost to the government. We've done that through measures other than tendering, and we're indicating to you that our next effort in managing the cost of this program relates to making sure that only those people who need oxygen are on the program. We feel that effort spent on developing a system of independent assessment is the next logical step in reducing the cost and making sure those people who need the service have access to it.

We have a couple of choices. We could hire more civil servants to do the assessments or we can contract with reliable operators in communities across Ontario to do those assessments, independent from the suppliers. It's that route that we've chosen, to contract and pilot with organizations that can do assessments independent of the providers. It doesn't necessarily have to be a civil servant doing it to know that it's done independently and fairly.



With respect to tendering, calling for proposals, we've noted in our presentation that the number of home oxygen suppliers has been cut almost in half in the past five years in Ontario, and in addition to economies of scale and competitive bidding on tendering, there are other factors that need to be considered, including the range of programs and services available in each community to customers of this service. Not only are we concerned with cost, we're concerned with accessibility and appropriate service for the customers.

Your suggestion of tendering is a valid one for us to consider, and we'll certainly relay that suggestion to the Minister of Health. Our position at this time is that the next logical step for us is to try to develop a system whereby an independent assessment reduces the number of people on the program, make sure only those people who need it are on the program. As we pointed out in the presentation, the savings from that, we feel, are more important, more substantial than the savings that could be achieved through a tendering process.

**Ms Martel:** Can you give me the cost again for a person to be on the program?

**Mr Cox:** It's \$425 a month; \$5,100 a year if you're on it for the full year. People are on an average of five years, so it's \$25,000 you'd save by not having that person come on the program.

**Mr Pouliot:** Tendering intrigues me, and I appreciate your rationale. This eventually will be, you hope, a \$52-million item. I find it quite difficult because of the rotation we've had here. We were exposed to some ministries. I had the good fortune of having served with four ministries, one of which was transportation, and it had the largest capital expenditure in the province. Its budget was \$2.7 billion, but on the capital side we were quite fortunate, so contracting was the order of the day. If anything went above — I could be wrong — a quarter of a million dollars, you had a formula in place where you would tender.

Of course I understand that no two situations are identical, but I find it difficult that when you have a consequential sum of money, well over \$50 million at present, and you have 46 suppliers, you would not automatically tender. Do you have guidelines, a policy, when can you and when can you not? Who makes those decisions? Tendering is the competition of the marketplace. When you have as many suppliers, it is your guarantee of a best-price policy. It usually is. That's why we tender. People will come and put their best foot forward and lower the price. Then you would be hard-pressed not to give it to the lowest one. If the quantity and quality and delivery of the product suffice for your criteria, then you would go to the lowest bidder. You would have to, but now you're hard-pressed to come up with an answer.

**Mr Dave Boushy (Sarnia):** I have a very brief question dealing with a local issue related to this matter. I want your help. Last Friday I was visited by representatives of two companies, Aerocare and Medigas, and they complained to me. Apparently in our riding there are three companies that supply oxygen: those two, plus Lambton Professional Home Health Care Corp. They claimed that most of the business, if not all, is going to

that one company, Lambton Professional Home Health Care Corp. Aerocare and Medigas are hardly getting any business to supply oxygen. Could you help me on this local issue? Why is this? Would it be any better off as of April 1? If you can help me, I would like to send them a copy of Hansard so they'd be happy and satisfied with it. Could you help me? What's the problem there?

**Mr Cox:** The way you get on the program is a physician prescribes oxygen and the physician will direct you to vendors in the community. Perhaps the physicians in that community are directing them to that particular company because they like the level of service the one company provides. I'm just not sure why one company would be getting all the business and the other two wouldn't, but we can look into that and see if there is that pattern. We can check and see in that geographical area you speak of how many people are going to each vendor. That's usually what we do when we get complaints that all the business is going to one spot: do a computer check and see if it's true. Then we can approach the physicians in the area and ask them why they're directing all their patients to one vendor. Would you like us to do that?

**Mr Boushy:** I indicated that to them and their answer was that most of the referrals are not coming from doctors; they're coming, I think, from hospitals or home care.

**Mr Cox:** That's true. That's correct.

**Mr Boushy:** Will their position improve as of April 1 or will they continue to have the same problems?

**Mr Cox:** The agreement shouldn't have any effect on that. The agreement is just a pricing agreement.

**Mr Quirt:** Mark will check into the situation in your particular community and call you directly with some more information.

**Mr Marcel Beaubien (Lambton):** Good morning. Thank you for coming. I want to follow on the lines that my able friend across the room was, questioning you on the tendering process. I think it's commendable the minister has seen fit to reduce the cost of oxygen in the past number of years from \$83 million down to \$52 million, especially when the number of companies providing oxygen has been going down and we have an aging population, so I'm sure the numbers have probably escalated in the past few years.

I have a lot of difficulties, though, in rationalizing some of the arguments you put forth. For instance, Mr Quirt mentioned that the minister prefers the single rate because everyone basically pays the same. I can swallow that one. Also, that oxygen suppliers like to deal with the ministry because it gives them price stability and it gives them an orderly procedure to manage their business. I'm not going to comment with regard to why you got a good deal and your response as to why you felt you had a good deal, because Mr Pouliot touched on that.

You also felt that tendering might result in lower costs, but if you did tender, you felt that the number of suppliers would go down and it might result in many job losses. I thought the role of the Ministry of Health was to manage health, not be concerned with business management or level of employment. I am concerned, as a representative of my constituents, to make sure that they



get the best bang for their buck. I don't think, with the rationale you've given us here this morning, that you yourself, personally, even feel we are getting our best bang for the buck. Can I have your comments on that?

1050

**Mr Quirt:** As Mr Cox indicated, he's of the opinion that if we were to call for proposals for home oxygen, we would achieve a savings in the cost to the taxpayer. That's correct. As I tried to indicate, that's one of a number of ways in which we can properly manage this program and bring the cost down. It's not one that we're pursuing at this point, the notion of calling for proposals. It's one that we will take back as a suggestion from this committee to the senior management of the ministry and to the Minister of Health to discuss.

But I would disagree partially with your statement, sir, in that our job in the Ministry of Health is to ensure that there's an appropriate range of health services for the people of Ontario first and foremost and do that efficiently and effectively. It doesn't necessarily follow that calling for proposals and getting the best possible price from a small number of companies is a better way to serve customers than to have a variety of different providers in communities across the province, independent or familiar with their communities, who can deliver this service. It may well be that services wouldn't be negatively affected if we were to go to a lowest-price-wins-the-contract kind of approach to tendering.

As I mentioned earlier, we've had success in reducing the costs substantially through other measures. We feel that making sure only those people who really need the service are getting the service is the next logical step in trying to manage this service and also protect the service for those people who actually need it.

I would agree with you completely that tendering would be a logical and important step if the cost of oxygen had gone up from \$52 million to \$83 million in the past four years rather than gone down from \$83 million to \$52 million.

**Mr Beaubien:** I agree that the cost has gone down, but there are a number of reasons. I realize that you're going from liquid to concentrators and there's a higher percentage of people on concentrators today. But when we look at savings of roughly \$31 million in the past five, six years — and I don't know the number of users you had on the system five years ago as opposed to the number we have on the system today, but why have we been able to find \$31 million? I know that we have because of using concentrators in a higher percentage. Where does the pressure come from for the companies to reduce their price to this level? After all, \$31 million is almost a 30% reduction in the past five, six years on the cost of oxygen? It's commendable for the ministry to have found this saving — I'm certainly not being critical of that and kudos go to the ministry for that — but could we have done better? That's my concern.

**Mr Quirt:** That's a very valid point and clearly a number of members of the committee have suggested we look closely at calling for proposals or tendering for oxygen. We'll take that suggestion back and consider it along with the other opportunities we have to continue to manage the program well.

**Mrs Sandra Papatello (Windsor-Sandwich):** With regard to the reduction in the cost for the oxygen program from \$83 million to \$52 million, my experience at home with this issue has been that in the past patients have been able to use oxygen with little or no problem in terms of getting it covered by the Ontario government. During this last year we've had a number of instances where we've had to lobby the ministry to ensure that our patients get the coverage. The rationale at that time was not that there was a change in regulation as to the use that would be allowed and covered, but rather that they are now enforcing the regulation that in the past perhaps wasn't being enforced and people were getting on it who shouldn't have been getting on it.

My comment is that your reduction may simply be a matter of fewer people using the system as opposed to anything to do with a more efficient or stringent procurement of the oxygen. I'm curious to know how many clients used it when you were at \$83 million compared to how many clients use it at \$52 million. If you also incorporate the change in the cost of use between the liquid and the concentrate, I think that is more telling, that in fact we've become much more stringent in allowing people to get coverage for oxygen. That's one comment I'd like.

Secondly, could you explain, as a summary, if the Management Board guidelines for procurement of product are clear, have you informed or made Management Board aware that you are outside of the guidelines for procurement of it? You likely did, because we know what the guidelines are and you're outside the guidelines. Given that, what was the rationale that you gave to Management Board for being outside the guidelines? I understand that there will be administrative savings to not go through a tendering process in every community, for example. The administration at the ministry level, some of that you could probably rationalize as being cost savings in terms of staffing. There would be another angle that the oxygen companies would be aware of, that the smaller companies would simply get eaten up by the large companies which can afford to profit by volume because they'll just low-ball but know they are so large that they will get all of the business and then make their profit on volume.

**Mr Cox:** In terms of the number of people on the program, there are about 2,400 fewer people on the program now than there were four years ago. If we assume about \$5,000 a person, maybe \$10 million of that \$30 million in savings is because of the enforcement of medical criteria. The other \$20 million is because of lower prices for oxygen.

**Mrs Papatello:** So 30% of your savings is due to people who no longer are eligible by ministry standards?

**Mr Cox:** Because they don't meet medical criteria. What we've started doing in the past year and a half is enforcing the criteria around people who are borderline, with this figure of 55. Now, for people who are 56 to 59, we're having the doctor confirm that there is evidence of improvement when they're put on oxygen.

**Mrs Papatello:** Just on that point, can you explain the rationale by the ministry that for a certain type of use of oxygen your condition has to be bad enough. In order for the patient to get bad enough, they don't get oxygen. You



don't give them oxygen, therefore they get bad enough to need oxygen, yet if you gave them the oxygen they would never get bad enough. This was the argument we had with ministry staff over this issue, that we had to allow the patient to get severe enough to finally meet the criteria as opposed to getting them the oxygen so that they didn't get to such a severe state. It was very frustrating. How do you feel about that?

**Mr Cox:** I hope it wouldn't have to get to that point before someone would qualify for funding. I know when they do the annual renewal, the test, they have to meet the criteria and the doctor has to be able to demonstrate for those borderline people that when they're on the oxygen there's improvement in their condition, that they're not just short of breath, that there is a medical need for the oxygen.

On the issue of have we informed Management Board that we're not tendering for the service, the home oxygen program used to be part of the Ontario drug benefit program. It came over to the assistive devices branch about two, three years ago. The drug benefit program, the assistive devices program and the home oxygen program are all run using the private sector to deliver the services. We've never thought we had to go to Management Board to get an exemption from tendering because those programs have been around for years and years and no one's ever raised the issue of, "Why don't you tender for delivery of the service?"

**Mr Quirt:** Since you've raised the issue, we'll review those guidelines.

1100

**Mrs Papatello:** I'm assuming that's the case. There must be a reason why it was raised by Mr Shea in the first place to even question the tendering process. We wondered why, and I'm assuming because it was outside some guidelines, but in fact it may not be outside a guideline. Is that correct?

**Mr Quirt:** We're not sure what the answer to that question is, but we'll certainly look into it now that you've raised it.

**Mrs Papatello:** May I ask the auditor that question?

**The Vice-Chair:** Yes. You have another three minutes.

**Mrs Papatello:** Mr Peters, a quick answer: Is it in or out of Management Board criteria for the procurement of product? Does it fit under that guideline?

**Mr Erik Peters:** Yes, it does. In fact, the Management Board guideline talks about acquiring supplies and equipment. It says, "Supplies, equipment and services are to be acquired competitively from qualified suppliers to meet specified needs and to achieve, at the least cost, value for money expended." That's one of the reasons we raised the issue in our report.

The second one talks about competition. It says, "Supplies, equipment and services must be acquired through a competitive process that ensures the best value for the funds expended to meet the specific needs and promote fair dealings and equitable relationships with the private sector." Those are the two key paragraphs.

**Mrs Papatello:** That's great. Given that equitable treatment of the private sector, was there some sense that having one flat rate for the use would allow the smaller oxygen company suppliers to at least remain in the

business as opposed to being absorbed by larger firms? Was that a consideration?

**Mr Cox:** Yes. The smaller companies tend to be heavier on the concentrator side, and that avoids the need to have to purchase the liquid oxygen from these multinational companies that produce it, so it's definitely an advantage to the small independent company to have in the pricing structure an incentive towards concentrators.

**Mr Jean-Marc Lalonde (Prescott and Russell):** Your argument that you know you're getting the better deals, I'm not too sure of that one. At the present time we have renegotiated the contract; we haven't gone to tendering. Has your ministry ever gone to the standing offer agreement instead of going to tendering right at the beginning like we did in this case, the fact that you have gone to one supplier at the present time, which is the supplier that you had previously? What would happen at the present time if this supplier would have some difficulty? Do we have a second one that we could go to? You only have the one supplier?

**Mr Quirt:** We really have around 50 suppliers, 46 suppliers across the province, but the rate that gets paid to those suppliers for the services is one that's established at one level by the province after discussions and negotiations with the Ontario Home Respiratory Services Association, so if one of those suppliers were to leave, then the other 45 would presumably pick up the extra business.

**Mr Lalonde:** That's clears up the question we had last time.

**Mr Pouliot:** I need your help, because it's your field of expertise. There are so few of us, with the courtesy of the Ontario electorate, that we have to sit on so many committees. We age very fast and we don't have time to digest everything that they put to us, so I want you to help me with the process. I apologize, not only for being candid, but for knowing so little.

I go see Dr Jones. She tells me that I need to go on oxygen. I can go with the Holt Renfrew oxygen, the liquid, at \$526, or I can go to Zellers, on the concentrator, and pick one up at the \$347, but Dr Jones didn't tell me what kind of oxygen. Who is going to tell me whether I go to Holt or to Zellers, whether I need the \$526 or the \$347?

**Mr Cox:** The doctor will do a blood gas test. Based on the results of that blood gas test, the doctor will know whether you meet ministry criteria for funding or not. If you meet the criteria, the doctor will put you on a concentrator or on cylinders with a conserving device or on a liquid system or a combination of any of those three.

The system that's chosen depends on your medical condition. If you are a highly mobile person, you are going to be put on liquid or you're going to be put on cylinders with conserving devices. If you're someone who requires a very high flow rate, you're going to be put on liquid, because a concentrator is only good up to four litres per minute. The doctor will advise you on what modality, depending on your medical condition.

**Mr Pouliot:** So there's no assessor, nobody else, nothing but the relationship between the doctor and the patient?



**Mr Cox:** What happens is that a year from then you'll come up for renewal. Generally, a respiratory therapist who works for the supplier will probably come to your home to do an oximetry test, which involves putting an instrument on your ear or on your finger — it's a very imprecise science — and if it registers 88 or below, you will qualify.

**Mr Pouliot:** I don't wish to impute motive, but you see, I'm selling two products here — I'm the supplier — and the bottom line is a motivator. Is it not more encouraging to flow the \$526 rather than the \$347? I work on a percentage here, so if I can sell — and after all, it gives people more mobility, more facility, because they are getting a higher quality of oxygen. The assessor is in the game after one year, not my doctor. The doctor-patient relationship was at the initial stage. After the first year, someone else can tell me that I need this oxygen or that oxygen. Is that the way it works?

**Mr Cox:** It certainly costs the supplier more to provide the liquid than a concentrator, because a concentrator you just plug in the wall and you need one or two cylinders for backup. The liquid costs more because you have to purchase the gas. We're not sure whether there's a higher profit rate on the liquid rate or the concentrator rate. I'm not sure, because we don't have the detailed costing information.

**Mr Pouliot:** I want to go back to your pricing. As of April 1 I thought it cost more but they'd get more, but as of April 1 they'll get \$425 a month, right?

**Mr Cox:** We've reduced the liquid rate by \$101, but the concentrator rate goes up by \$78, so overall there's a net reduction of \$23.

**Mr Pouliot:** So you'd want to go from liquid to concentrator next April. Thank you.

**Ms Martel:** Can I just follow up on that? If I look at that, for people who would be doing concentrators, they get about a 20% rate increase because they go from \$347 to \$425. I think you said it's the smaller suppliers who are in that game; they're going to do fairly well by that. But what I don't understand is how we assess whether the taxpayers are getting a good break on that deal. What the ministry is trying to do and what has been happening is that more people are moving from liquid to concentrators, and I think you said it's your hope that with the independent assessments and making sure people qualify etc, you'll probably see even more of a shift. What we are actually doing is funding, to an even higher level, the same price structure that we think is going to increase, right? Your hope is that you will see more people on concentrators, and we're actually going to increase by over 20% that same rate.

**Mr Cox:** That's true in that case, but there are also maybe just as many people who might switch from concentrator to one of these cylinders with a conserving device, which under the current pricing structure is the midpoint, the \$437 a month.

**Ms Martel:** Who is prompting people to make the switch? Are the consumers themselves making the switch? Is it going to be the independent assessors who are going to convince them to make the switch? How is that happening?

**Mr Cox:** Do you mean in terms of modality switch? It's the physician in talking to the patient; whatever is best for the patient is what makes that shift. If someone is on a high flow rate or very mobile, the doctor isn't going to take him off liquid just because of the pricing structure.

1110

**Ms Martel:** How we are going to see a switch down to 35%? The last time you were here you said it was the ministry's target to try and get 35% of your expenditures on liquid. How does that shift happen? How do you expect to see that happen if it's still the physician, at the end of the day, who is going to make those choices? It seems the ministry has no role to play whatsoever.

**Mr Cox:** It's going to happen because we've reduced the monthly rate for liquid by \$101, so the supplier is going to get that much less for even their current liquid people; they're going to get \$101 less. Just over time, that average expenditure is going to come down because we're paying that much less per month. We also feel that to the extent the supplier has an influence over the choice of modality, and if there is a higher profit now on liquid, maybe the suppliers will be pushing the concentrator more for those people who could go either way. But generally it's that \$101 reduction in the liquid rate that's going to reduce the expenditures on liquid.

**Ms Martel:** So it's the shift in rate, not the shift in actual users to another system?

**Mr Cox:** That's right; primarily, yes.

**Ms Martel:** Can I ask the auditor, with respect to his two recommendations, if he could give this committee some idea of what he was thinking about when he made the two recommendations he did to the ministry with respect to pricing.

**Mr Peters:** There were a number of concerns. There was first still the question of eligibility; our concern was that the assessment of eligibility for that kind of device was not independent. Most of the people who were doing the testing were essentially employees of the industry itself. They're making that judgement as to what kind of equipment the recipient should be on.

That was the recommendation we made: "To ensure consistency and fairness, the ministry should review eligibility requirements and funding provided for each assistive device category."

I think I just made a mistake. I flipped to the wrong page.

**Ms Martel:** I'm looking at pricing on page 163.

**Mr Peters:** First, we said: "Implement guidelines for conducting independent medical tests for determining eligibility," and that was the independence point I was talking about. The other concern in this area was whether a peer process was operating effectively, because there was some problem there. But if I may —

**Ms Martel:** No. Mr Peters, I'm asking about page 163. There are two points:

"Review at the earliest opportunity the costs relating to oxygen concentrators and liquid oxygen; and

"Consider more cost-effective alternatives before paying the liquid oxygen rate."

**Mr Peters:** Thanks, Ms Martel. First, the concern was as to the rate. We found out that \$347 per month is paid



for the concentrator, \$526 for the liquid oxygen, and we found that since 1990 there had been no assessment of what the cost of the concentrators was. At that point it was \$1,300 to purchase. We found there was no analysis available and nothing was done to assess how much of the \$347 was supposed to cover the equipment cost and how much was supposed to cover the service cost.

**Ms Martel:** Can I stop you there? That's the same question I asked earlier with respect to maintenance, installation, tubing, all of which you're going to supply to the committee, as best you can, because I don't think we have really seen that breakdown at this point. Is that correct?

**Mr Cox:** Yes. I think the industry is bound to be forthcoming with that information since the standing committee has asked for it.

**Ms Martel:** Is this the same area where you said you can't get that information because there's no legislative requirement for industry to provide it?

**Mr Cox:** That's correct.

**Ms Martel:** All right. Sorry, Mr Peters.

**Mr Peters:** The second part was that if the ministry wanted to meet its target of 35% of the people on liquid — that means approximately 62%, incidentally, on concentrators because there's a 3% bracket, as Mr Cox pointed out, on another modality. But if this target were achieved with the current pricing structure, we estimated a \$3-million savings could be achieved.

We also noted that the information we were supplied with later on was that there is an international standard: Other jurisdictions were aiming far lower even than the 35%; they were going for 10% to 15%.

The other point we raised was that other provinces have more stringent rules in terms of supplying. For example, we heard this morning that some of the evidence that came before from the witnesses talked to the Alberta situation. Indeed it's our understanding that Alberta does increase the price to \$468 but does not fund liquid, but if the patient requires liquid it becomes a copayment; they go on that.

The UK has a different rule. For example, only the concentrator is funded by the UK.

**Mr Pouliot:** Don't give them any ideas.

**Mr Peters:** There, presumably because of some information on the equipment cost versus service cost split, there is a \$250 startup cost and then there is a reduced monthly rate as they carry on.

Those were some of the ideas of cost-effective alternatives we had in mind when we were making the second part of our recommendation, to consider more cost-effective alternatives before paying the liquid oxygen rate.

If I may for a moment walk you through some numbers and possibly the — I don't want to infringe on the time, Chair. I have to find my numbers, where we developed them.

**Ms Martel:** Before you do that, can I ask a question on some of the information just provided? I'm curious about why, before renewing this agreement a year in advance, the ministry would not have looked at the breakdown between the cost of equipment, the service cost etc, which you say now the industry will provide as

a consequence of this committee wanting to have that information.

It seems to me that the auditor was pretty clear in terms of some instructions or some ideas the ministry should undertake, but we find today that we still don't have those costs. You tell us you can't really get them by legislation, but perhaps they will be provided by the industry now because we want them. Why would you have gone ahead, then, and renegotiated without even taking that step, so that the ministry and the public and frankly this committee would be clear about some of the costs we're all looking at?

**Mr Cox:** I'd better clarify what I said. The industry in the past has supplied costing information, but what they haven't agreed to is to have independent cost analysis done of that costing information. We've seen the figures, but we don't know if they're right, and until we get that independent costing we're not going to be confident that we're getting the true costs.

The provincial auditor made two recommendations around pricing. One was to review at the earliest opportunity the costs relating to oxygen concentrators and liquid oxygen. We did that. That's why we've come up with a flat rate that reduces the liquid rate by \$101 a month. The second recommendation was to consider more cost-effective alternatives before paying the liquid oxygen rate. That's why in September 1996 we came up with a special rate for people who could use conserving devices with cylinders as an alternative to liquid. That was our response to those two recommendations.

**Ms Martel:** I think the auditor has also made it clear that he thought this was going to go further than that. Clearly he has talked about cost of equipment, service cost; it was in the document. Especially with respect to number 1, it wasn't just a situation of moving to a single rate; it was a situation of trying to get a better handle on what the actual costs are so we could understand clearly whether we were getting value for money.

My concern is that that work hasn't been done. I know you're saying to us that you feel we've got the best deal possible, and I'm not even going to deal with whether we should go to tender. I'm not convinced that is the case because I don't have any information about what some of these cost breakdowns are and it doesn't sound like you do. How do we get that? And why was not a more serious effort, concentrated effort, however you want to describe it, made before the ministry actually entered into yet another agreement that will go another three years with this industry?

1120

**Mr Cox:** I hope I didn't say that I feel we got the best price possible.

**Ms Martel:** You said you thought we had a good deal because the industry was unhappy.

**Mr Cox:** I think we have a good deal compared to what we had before.

**Mr Pouliot:** You don't know that. You have no basis of —

**Mr Cox:** I know we got a better deal than what we had before, because we've reduced the liquid rate by more than we've increased the concentrated rate, so we've ensured that the average won't go above \$425.



Under the old system it could easily have gone above \$425 a month.

**Mr Derwyn Shea (High Park-Swansea):** A number of the questions that have been appropriately raised today are ones that I wanted to get at, and I'm glad other members are picking up on it. It strikes me as though one of the most important responses given so far was the response to an inquiry made by Mr Beaubien. I obviously will want to have some time to read the transcripts of today because a lot of information has been transmitted before the committee. That's the problem of not having written submissions ahead of time so I can pore over them. I will pore over them in retrospect and then have some other questions.

It strikes me as though at the heart of this is the issue of confidence in a process, confidence in a process which asks the question, whether you're using RFPs or whether you're using tender: Are you able to withstand any public scrutiny where a question might be raised about the integrity of the process to ensure that you are able to provide this committee and anyone else — the legislators, agents such as Provincial Auditor — that the best practices are being employed, that we are getting the best value for dollar, and that everything that is being done is being done within all the bounds of protocols established by the government and by the assembly and is ethical?

That's the essence of the concerns of this committee. Can you respond to that? You're in a difficult spot in terms of RFPs. The impression I'm getting is that this is not new. This isn't something you were doing just this year, nor last year, nor the year before. I gather RFPs have been going on for some time in terms of the suppliers. Is that true?

**Mr Quirt:** No, the request for proposals is not used in selecting — or a tendering process is not used in selecting the 46 suppliers. As Mr Cox pointed out —

**Mr Shea:** Excuse me. Let's be very clear. You seem to mix the two together: RFPs and tenders. In your mind, are they the same?

**Mr Quirt:** Normally the tendering process would call on companies to submit a tender or a bid on delivering a particular service at a particular price. I would see tendering as pretty close to the request-for-proposal process. I'm not sure of the distinction you draw, but —

**Mr Shea:** I'm glad you raise that. Let me back up, then, just to make sure we're singing from the same hymn sheet, so to speak. RFPs, for me, are significantly different from tenders. RFPs are in fact almost open-ended. They give a very general, broad setting of what you're looking for in terms of service. You allow anybody to respond and you may pick and choose. You have a lot of leeway in how you respond to that, and you're not bound by what are considered the normal conventions of tendering.

On the other hand, tendering means you develop the criteria; you establish the groundwork; you make it very clear that within this box this is the service and these are the standards and so forth. Everybody has to respond exactly to that. Now, they may come back and tell you, "We can do all of this except for this or that." But you're actually comparing apples to apples, as opposed to an RFP, which could be apricots and plums. They may all

be fruit, but there's a broad spectrum within that. Do I give the distinction for you to respond to?

**Mr Quirt:** You've described your distinction. With the several RFPs I've been involved in, we've specified very clearly precisely what we want to get back in the bids when we've requested the proposals.

**Mr Shea:** So you have, as a ministry official, approached RFPs as though they were tenders.

**Mr Quirt:** Yes, I think that's fair to say. When we've called for proposals for particular purposes, we've laid out in detail what's expected of the organization or individual that's responding to the request for proposals. We've had meetings with the people interested in responding to the request for proposals to make very clear what it is we're expecting people to bid on in their response to our request for their proposal.

**Mr Shea:** That's a very helpful response for me. Maybe we've got some terminology problems here.

**Mr Quirt:** I would agree, yes.

**Mr Shea:** If you're talking about RFPs versus — the way you've just described it, you've described tendering. You have said, "Here's what we've said we want," you've laid that before the industry and you've said, "All right, do you want to respond to this?" Am I correct?

**Mr Quirt:** Yes, depending on the product. One might call it an RFP if one was asking for proposals from a particular consultant to do a piece of work for you. If it's one of our long-term-care facilities, for example, and we're calling for proposals from people who were going to do the plumbing, we might call it a tendering process. But I think the principle, of the purchaser specifying what it is he or she wants to get in return for their money and allowing people to understand what you're bidding on completely, would apply whether you called it a tendering process or a request for proposal process.

**Mr Shea:** Mr Quirt, I will accept that for the moment. I have some concerns about that in terms of phraseology and definitions and descriptions, and we may want to deal with that with the auditor as well. I would just caution you that RFPs, unless I misunderstand in other government settings, are significantly different from tenders. I'll come back to this at another time, but I would ask to perhaps reflect upon that. If you are saying they are very akin to tendering in your mind, then you may have resolved an awful lot of my concerns that may flow from that. But we may have a little distance to go yet.

To come back to the essential question I raised, if I still have a difficulty with your description of RFP versus tendering, how do you give me comfort that the process is so transparent that I can be absolutely certain (a) I'm getting absolutely best value for the tax dollar, and (b) there is no untoward influence taking place in the decision-making? How can you give me that assurance?

**Mr Quirt:** I don't think we can give the committee the assurance that we're absolutely sure we're getting the best value for the taxpayers' money here. We've described to the committee the efforts we've made to reduce the costs in the program, which have involved being more careful in who's determined eligible for the program and in attempting to shift the usage for eligible customers from high-cost to lower-cost alternatives.



It's been recognized and pointed out that we do not either call for proposals in an RFP process or have a tendering process whereby companies respond with bids on the provision of these services, and it's been noted by a number of members of the committee that this may well be an additional measure the program needs to take to further reduce the cost. It's been our response to that to say, "Yes, in our opinion that would reduce the cost," but so would concentrating our efforts on establishing an independent assessment process as noted and recommended by the Provincial Auditor.

It's a question of which goes first and what's the best use of our time and the next legitimate step to take. It's also been pointed out by members of the committee that we can't tell you precisely where every penny goes. When we pay \$425 we don't know precisely what is supplies on average, what is liquid cost on average and so on. It's a legitimate point to say that had the government done that, it might have been in a better position to manage the program.

We're saying to you that with the three or four initiatives we've introduced, we have brought the cost down or headed in the right direction and we're happy to consider those other suggestions for additional measures.

**Mr Shea:** In terms of the total budget, we understand that is a reflection not only of getting better deals with the industry; it's also a number of people who are leaving the program and being changed. It's not all just cost-effectiveness; it's also some program management or we may have found other ways to reduce the number of people on the program. I'm heartened to hear you say that you are now taking back to the minister the issues of eligibility and the whole issue of RFP versus the tendering or whatever is involved in that. It may be, from what you've told me, that in your mind you're doing the same thing; RFP and tendering may be the same thing.

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**The Vice-Chair:** Mr Shea, the auditor has a comment for you related to one of your concerns and I wondered if you would entertain that at this point.

**Mr Shea:** Please, yes.

**Mr Peters:** Mr Shea, it's just a quick comment on RFP. That abbreviation is actually used for two processes. There's one meaning that is request for proponent and there's another meaning which is request for proposal. If I may clarify, the first one, request for proponent, is more akin to what you seem to have in mind where you generally say, "We want to do a certain thing and who is out there who could provide a service?" That is generally describing to people out there what the government wants and getting responses back as to people who may be interested in getting involved in that particular process of providing that particular service.

Then a discussion takes place with the proponents as to, "Yes, you can," or "No, you can't," because they have the capability to provide the service or not. Once that is sorted out, then there is a request for proposal sent out in which the government actually specifies exactly what services it wants to tender for, what it has in mind, quality of service standards and all that sort of thing. I hope that helps a little bit, because the abbreviation RFP may have two meanings.

**Mr Shea:** Yes, it does, and it further muddies the water and I'm glad you've added to that confusion, because it may be this is leading to other depths in other areas that need to be clarified. The second part of your answer led us right into what could also be construed as tendering.

**Mr Peters:** That's correct. That's what I had in mind.

**Mr Shea:** Well, you just made my point, and that's the point I'm trying to raise on behalf of the deputants as well. I'm prepared to go into all kinds of deep waters. I just want to make sure we're all using the same oar and it appears to me at this point we are not. That's what concerns me in this questioning, that there may be some confusion and some misunderstanding.

How long has this approach been taken by the ministry? Is it just in the last year or two, or has it been an approach going on for the last five years, 10 years, 50 years?

**Mr Quirt:** The request for proposal process is used very frequently to select providers of particular services.

**Mr Shea:** My question was, how long has this process been going with the ministry? Is it just this year you've approached this in terms of, say, the oxygen?

**Mr Quirt:** We do not have a request for proposal or a tendering process for the 46 oxygen suppliers. As we've said earlier, what we do is somewhat of a request for proponents process, if I might use the Provincial Auditor's process, in that we have criteria that have to be met by anybody who wishes to be delivering oxygen through the home oxygen program. Those criteria I did mention earlier and they are on the record. They include being reasonably accessible to the public in a store-front operation during regular business hours, having a 24-hour emergency response and —

**Mr Shea:** I understand all that. I'm more interested in coming back, first of all, to the history just for a moment. How long has that process been going on?

**Mr Quirt:** Mark, how long have we been pre-qualifying, so to speak, making sure that suppliers meet criteria?

**Mr Cox:** Since 1993 we've had contracts with the individual suppliers.

**Mr Lalonde:** I know you mentioned it at the beginning of your presentation, but could you tell us again the percentage of users who are using liquid oxygen versus the other two?

**Mr Cox:** The percentage of users is about 40%.

**Mr Lalonde:** That's 40%.

**Mr Cox:** Liquid, yes, the users, and about 51% of expenditures, something like that.

**Mr Lalonde:** And the concentrators?

**Mr Cox:** The rest, the reverse: 60% of users and 48% of expenditures. There's this new category we introduced in the fall, but there are just a couple of hundred people on it so it would be at 1% maybe. That's the people on the conserving devices.

**Mr Pouliot:** I have one question, which I feel has some relevancy. Page 163 of the auditor's report, recommendation:

"To reduce oxygen expenditures, the ministry should:

"Review at the earliest opportunity the costs relating to oxygen concentrators and liquid oxygen; and



"Consider more cost-effective alternatives before paying the liquid oxygen rate."

Fairly simple stuff. Then I look at the official report of debate, Hansard, Thursday, and this is what you say, "I'm optimistic that we'll soon have access to the information we need to make that distinction between equipment costs versus servicing costs."

When the question was posed to you, you answered that you had a single rate and this was to suffice. I go back to Hansard again. You say you're optimistic that you will soon have that information, but in the meantime you extend a contract to the year 2000. If you were optimistic that you would in short order get the information to me, the recommendation, the directive from the auditor and this committee, wouldn't it make much more sense to wait to sign the agreement? The auditor felt that information was vital.

**Mr Cox:** It's going to take us a long time, several weeks, to get that information. As I indicated, the agreement can be cancelled at any time. It goes to the year 2000 but the ministry can unilaterally cancel that agreement and introduce some new price if it wants to.

As Mr Quirt indicated in his opening comments, what he was giving was the preliminary report from the ministry on that wide range of information that the committee asked for on February 13. In our final report back to the committee, you can be sure we're going to have some costing information that we've obtained from industry. It won't be independently cost-analysed but it will be industry's figures to us on what it costs to serve a concentrator versus a liquid.

**Ms Martel:** The point we're trying to make is that the existing pricing agreement was not due to expire until March 1998. You've just finished telling the committee it will be several weeks before you could get some of the pricing information that has been requested. Why did the ministry enter into a new agreement — no matter that you can cancel it at any point — a full year before you had to, without having that pricing information in place? Regardless of whether or not you have some concerns about whether the information is legitimate, at least you would have had it in front of you, because as I understand it now you operate in a vacuum.

For the life of me I cannot understand why a full year before you had to renegotiate you would have not waited, got that information and been a little more convinced that what you were looking at in terms of trying to set your own prices might realistically reflect some of the actual costs.

**Mr Cox:** The simple answer is: Because it's a better deal than what we had and it frees up the staff resources that are now spending all their time — this program is run by two people. Those two people are spending all their time adjudicating modality. They'll now be able to get these independent assessment pilots up and running, which we figure will save us multimillions compared to the couple of million more that we might have got if we'd spent several more months negotiating a price.

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**Ms Martel:** I don't know that it would have taken several more months; that's the first problem. The second problem I've had is that you've told this committee

already that you're not going to be running the pilots. They're going to be run on behalf of the ministry, so maybe I'm having a problem understanding who is going to do what here.

Maybe you can explain to me the major cost savings that you see when the assessments are not going to be done by ministry staff anyway. They're going to be done outside; they're not going to be done by the ministry staff. Why is there such a problem in terms of redirecting that work which is going to be done outside anyway, and at the same time trying to get some of this information which would have led, I think, the ministry to get a better price at the end of the day?

**Mr Cox:** You're right. Most of the work in terms of this independent assessment is going to be done by people who are paid for by the ministry on a fee-for-service contract, but we still need someone back at the main branch monitoring the project. Someone's got to get the pilots up and going and analyse the pilots to see if they are cost-effective. I'm just saying that by not having to spend our staff time adjudicating modality, we're now free to get those pilots going and to monitor them.

**Ms Martel:** Do you think that's a better way to do things right now rather than trying to get that information as quickly as possible, before you started to negotiate, and actually be in a better position to negotiate on some rates that might have been transparent for everyone?

**Mr Cox:** Yes, that's what I'm saying.

**Ms Martel:** I look at it and I say that the auditor made a pretty clear request, I think, and it was a matter of trying to get some information that clearly no one has had up to this point. What I disagree with is that it seems the auditor's recommendation around that issue was in some way, shape or form dismissed — I don't know a better way to phrase it — and the ministry proceeded on a different path, which may well get you some money. I'm sure it will if you can do independent assessments and get your eligibility criteria up and running. But I really think that his recommendation around pricing was dismissed, and it was an important one.

It was an important one in terms of people being assured that they're going to get some value for money, and for the time that it may have taken, and I don't know if that would have been a month longer or two months longer to negotiate, I think we would have been in a much better position.

What I'm worried about is, if the ministry gets some new pricing information in the next number of weeks, how realistic is it that the ministry is then unilaterally going to go in and change the terms and conditions of this contract when you've got a contract that's supposed to go into effect as of April 1? Is that realistically going to happen when you get some new information now?

**Mr Cox:** This contract isn't going into place April 1. It's just an extension of the existing contract.

**Ms Martel:** The new costs.

**Mr Cox:** There's a new rate that's going into effect April 1. There was a new rate that went into effect last September. There could be a new rate a month from now. The agreement is with the association and it's on much more than just pricing. All those things I listed in the record — making sure we work together to ensure that



the program is managed within budget, all those good things — are part of the agreement with the association. That's just one part of it.

**Ms Martel:** You're confident that if two weeks from now or three weeks from now you bring back to this committee or this committee gets some actual figures that talk about the different costs, it would be a minor matter if this committee felt we didn't get value for money, that you could go back and negotiate with the association a different pricing structure. Are you confident that can happen and it will be fairly straightforward, fairly simple, can be done at any time?

**Mr Cox:** Yes, but we'd have to seek direction of course from the minister on what he wants to do. I'm just the administrator of the program. That's a decision the minister would have to make on whether he wants to change the price, whether he wants to go to tender, that sort of thing.

**Mr Quirt:** If your suggestion is that information would become available to the minister or the government over the next few months that would indicate that, even though our costs are going down in the program and even though our costs compare favourably with other jurisdictions, we're paying too much on behalf of the public for this service, then obviously, yes, we'd be interested in opening the arrangement. We'd expect at that point cooperation from our providers in negotiating a lower, fairer rate, if that's what the data proved.

**Mr Beaubien:** Just to follow up on Ms Martel's comment, the public accountant's recommendation was:

"To reduce oxygen expenditures, the ministry should:

"review at the earliest opportunity the costs relating to oxygen concentrators and liquid oxygen; and

"consider more cost-effective alternatives before paying the liquid oxygen rate."

The ministry's response was, "The ministry will initiate a review of the concentrator and liquid oxygen rates in preparation for negotiations to replace the existing pricing agreement when it expires in March 1998."

This is what I cannot get straight in my mind, and I think this is the problem Ms Martel has also, that the ministry said one thing but did something else. The question is, why? I can't rationalize that. Basically you went and extended the period of the contract for another two years, yet in your response to the public accountants you said that you would initiate a review of the concentrator and the liquid oxygen costs, but you just extended it. I find that bewildering.

**Mr Cox:** I guess our response is, quickly, we came up with a better rate structure than we had.

**Mr Beaubien:** So it's just based on costs, without reviewing. Because you got a better deal, you just went along.

**Mr Cox:** To do a review of concentrator and liquid oxygen costs is going to require an independent cost analysis, which is going to mean we're going to have to go to tender and get someone to bid on it and then award the contract. It's going to require the companies to open up their books. It's going to take some time. If the ministry does that and, as Mr Quirt indicated, it shows that our pricing is way off, then certainly we're going to

want to go back to the industry and say: "We've got to lower the price again. Here's the new price."

What we've put in place is something we saw as an unexpected opportunity, when the industry approached us wanting to open up the agreement, to bring in a single rate, which we've been trying to get in place for a long time, and so has the OHA, and at the same time to remove that incentive to put people on liquid. So we feel we accomplished that, and as I said, we freed up the staff time to start doing independent assessments.

**Mr Pouliot:** On a point of clarification: I would like to know, when did the auditor make this recommendation? We sense a reluctance not only to avoid but to dispense with the recommendation from the auditor here, and we're not buying it, to tell you frankly. There was a recommendation from the committee. The committee is the government in the context of value for money. If you don't want to do it, don't then surround — if the auditor asks you to do it and if the committee's not satisfied with your answer, you come back with a better answer. It's as simple as that.

**Mr Cox:** Sir, we would never ignore a recommendation from the Provincial Auditor. What we thought was that we were fulfilling the intent of that recommendation by doing what we did with the new single rate. That's not the end of it. We're going to be looking continuously — there's a history of price reductions that's quite constant over the last four years. It's a matter of how quickly you want to do it. Do you want to wipe out the industry completely in the province? That's not going to help the consumer too much. So our process is to do it gradually. As I say, we got a 30% reduction in expenditures in four years. There are not too many government programs that have accomplished that.

**Mrs Pupatello:** I just think we might be getting away from an issue here. Number one, I think you should have a value for the amount of administrative savings to not go through that process. I have asked since for that, because I do think that's valuable to know, that you can in fact have a significant, substantial amount of saving by streamlining the process. I know the government members would agree with that. It's a matter of knowing what that was and juxtaposing that to the eventual cost of the product based on that.

I think it would be important for the ministry officials dealing with this program to know from the company perspective the actual profit margin on each type of oxygen. When you're in the business of delivering that, which you are, it probably would be a good idea to know which has a better profit margin for companies. That seems an obvious thing to know and I think it's probably easy to find that out.

I think we're missing a significant point: 30% of the savings is simply because fewer people are now meeting the criteria. I don't think there's suddenly a complete change of atmosphere or health condition that says people no longer need oxygen. It is simply because the viewing of the eligibility criteria is different today than it was. So the 30% of the savings has nothing to do with the tendering process, nothing to do with admin savings, but simply to do with 2,400 people who used to get oxygen who now don't.



I don't know how long this has been going on and I can only go by what I've experienced in my own constituency, but under whose mandate did you start heavily screening those who are eligible, and why? Did you honestly feel that we have 2,400 people who were abusing the system? What was the sense that made you look at that so you could in effect find 30% of savings, because people now don't meet the criteria but met the criteria the six-month period before?

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**Mr Cox:** Prior to 1991, all you required was a doctor's prescription. Starting in 1991, we applied internationally accepted medical criteria that said you had to have a blood gas test and you had to register below a certain level on that blood gas test before you qualified. That's why the numbers have dropped by 2,400, because we're now saying you have to have a medical need for oxygen. A doctor's prescription isn't enough. By ensuring only those who have a medical need for it, I think we're giving the taxpayers good value.

**Mrs Pupatello:** It is certainly just anecdotal, obviously — I'm just one riding — but with individuals who qualified previously who now don't qualify, the experience was that for a variety of reasons they preferred a certain type because it allowed them to be more mobile. If you didn't allow them the better system, their condition would deteriorate to the point where they would finally be eligible for the better system. I mentioned that earlier. There's a real conundrum for doctors and their patients. My experience has been that they certainly didn't qualify yet, but let's wait for their condition to deteriorate because then they will qualify. That is what happened with constituents of mine. Let's wait until they're so deteriorated that they cost the health system more in terms of hospital care, additional bed days, any number of things, as opposed to allowing them the service because they did used to meet the criteria, at some level of expense, and instead let's wait until the expense is huge.

That frankly defies logic, to me, and I still don't understand that. We have fought on this issue locally because it doesn't make sense in the long term. It will cost the Ministry of Health more to allow this deterioration. For some of the elderly it's a simple matter of the emotional drain, for people to understand that they now can't get oxygen that actually caused a further deterioration of their health state. This is a significant concern for the elderly. You know better than I that we're going to have many more of those people. I still haven't heard why. Did you feel the system was being abused so badly that you've now found 30% of savings by not providing people with oxygen?

**Mr Cox:** People who meet the criteria are being funded. I indicated in my earlier comments that there are still 4,000 people on the program who have never met criteria. We found it virtually impossible to wean them off the psychological dependency on oxygen. If someone comes up for their annual renewal and they don't meet the criteria but they did previously, then they're not being funded. Maybe two or three years afterwards, if they get sick again and they need the oxygen, they'll get back on the program, if they meet the medical criteria. If a phys-

ician finds that we've turned down someone on renewal, they can always appeal.

**Ms Martel:** Let me ask the auditor two things. When did you make this recommendation around pricing?

**Mr Peters:** It went up to the deputy minister level in May 1996.

**Ms Martel:** Second question: Do you feel that when that recommendation went forward there was some discussion or it was clear to the ministry what you meant by your review of the "costs relating to oxygen concentrators and liquid oxygen"? Did you give any instructions, any indication of what you meant by that?

**Mr Peters:** Yes, we did, and in fact it becomes evident from their own response. If you refer to page 164, they also came back and said, when we talked about the rate, that their plan was "to achieve its target of no more than 35% of expenditures and 20% of users on the liquid modality." I think they understood the dual pricing structure very clearly and the recommendation.

**Mr Pouliot:** I need your help again. When questioned vis-à-vis the recommendation and your failure to comply, you did mention that it would take on a complexity, that you might have to go to tender to get the information. Yet two weeks ago you said again, "I'm optimistic that we'll soon have access to the information we need...." This is a departure from what Hansard said. Those are your words. This is a matter of record. We will match what you said when answering the same question two weeks later, and I want to wish you well when we do that, sir.

**Mr Cox:** That was in the context of the issue of hospitals as suppliers and the whole issue that the industry has felt that hospitals shouldn't be paid as much as private sector suppliers because they don't pay taxes etc. At that time there was a proposal for an independent costing analysis to get to the bottom of that. Hospitals have shown signs that they want to become more active as vendors, and in response the industry is saying, "We want a lower price for hospital suppliers." We've said, "Okay, then we've got to do this independent costing analysis." That would give us this data that we need.

**Mr Pouliot:** That's fair and I'll accept that. Thank you.

**Ms Martel:** I still don't understand that. If that was going to give you the information you needed to allow the industry to look at differentials between hospital expenditures and their own, wouldn't that same information also be used for pricing purposes, for the ministry to set a price with respect to what they were going to offer suppliers? Wouldn't you need exactly the same information?

**Mr Cox:** You're right. As I said earlier, we don't have any legislative authority to make the companies open up their books to us that I'm aware of. If we do, great, I'm glad to hear it, but until we have this lever of saying, "If you think the hospitals should have a lower rate, open up your books, and hospitals will open up their books, the OHA has agreed," then we'll get that costing information. If we have that legislative authority now — maybe the auditor can respond — great, then we'll ask industry to provide it.



**Ms Martel:** But if I might, not more than 10 minutes ago you told this committee that to get that information it would require some kind of independent assessment and a request for proposals and on and on. Unless I'm mistaken, you've contradicted yourself. Either it's information that you were going to readily obtain, which is what you told this committee on February 13, or it's not. I'm having some great difficulty understanding, number one, are you going to get that information soon, because that's what you told this committee, and is it really necessary, in order to use that information in some way to set pricing, that you then have to go to some independent assessment and have it all looked at, or could you have waited a couple of weeks, got the information and used it in a way that I think the auditor said to use it, which was to make some better determination about what prices you should be offering suppliers?

**Mr Cox:** We can't get independent costing information unless we have some lever. We have to have the association and the companies agreeing to give it to us. One way of doing that is either to go to a tender and force it out that way or by saying, "If you want us to consider a lower price for hospitals, then you've got to give us access to your books." It was in that context that I was making reference to hoping to have that information soon, because I said hospitals have shown interest in wanting to be suppliers, and in response industry has said, "Then we want a lower rate for hospitals." I'm not trying to contradict myself, I'm just trying to say we don't seem to have the levers that we need to get that information from the industry that I'm aware of.

**Ms Martel:** Regardless of whether or not you had the leverage, you told the committee that you thought you'd have access to the information we need to make that distinction between equipment cost versus servicing cost. For me, the whole issue of your pricing hinges on that. I go back to the point I made earlier and that I think Mr Beaubien followed up on: You didn't have to renegotiate this deal now. The auditor told the ministry to look at this issue in May 1996. You told the committee that you felt you were going to have the information in a few weeks because the industry was more interested in opening its books because of this hospital issue. Why was that information not obtained before the ministry went back and made an agreement to continue the pricing, even the new fixed rate, on to the year 2000? You didn't have to do that for another year.

The argument we're trying to make is that some of us believe if you had that, we probably would be in the process of getting a bang for our buck if that had been

done first. I'm not convinced that if the new information comes in in short order, the ministry is actually going to go back and renegotiate a new price with the association. I think the association's going to say: "Get out of here. We just finished negotiations with you. We don't want to change this and we're not very happy again in working with you." I think that's what's going to happen.

**Mr Cox:** As I said earlier, the association doesn't have its contracts. We have contracts with suppliers. The ministry is free to unilaterally change the price whenever it wants. We didn't need detailed costing information to get that single rate in place. Yes, we're going to need that detailed costing information if we're going to have solid grounds for lowering the price further. I don't know what more to say in response.

**The Vice-Chair:** It's now a little after 12. The committee is free to continue or we can call it a day. We've had an exhaustive session this morning and we are to come back on the 3rd to look at property management, section 3.17. Does the committee wish to pursue this section further at that time or at another time?

**Mr Shea:** I would recommend that we carry on with our schedule, but I think all of us would probably like an opportunity to read the transcripts and then reserve opinions for the future. But let's carry on at this point.

**The Vice-Chair:** Yes, in the report-writing phase we'll have a chance to revisit some of these sections in terms of recommendations or in terms of comments.

**Mr Shea:** Of course. I'm conscious of the secretary reminding us of our schedule, and I don't want to see that getting out of tilt, but on the other hand there may be questions, undoubtedly, that will grow from the report that's coming forward from the minister. When we've had a chance to read the transcript and I've had a chance to reflect on things such as the timing of the opening of tenders and how they were opened and so forth, we'll have a chance to review this. I'm sure the auditor will have a chance to reflect upon some of the responses as well and give the committee some attention.

**Mr Pouliot:** We are of the opinion that this will suffice at this time. We want to wish you well with the requests from the committee. We'll be looking forward to your findings and will read them with interest. Best wishes indeed, and may we see one another under different circumstances.

**The Vice-Chair:** Mr Cox and Ms Lindberg, thank you kindly for being with us today. We appreciate your spending time with us.

The committee is adjourned.

*The committee adjourned at 1203.*





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**Staff / Personnel:** Mr Steve Poelking, research officer, Legislative Research Service

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## Legislative Assembly of Ontario

First Session, 36th Parliament

## Assemblée législative de l'Ontario

Première session, 36<sup>e</sup> législature

# Official Report of Debates (Hansard)

Thursday 24 April 1997

# Journal des débats (Hansard)

Jeudi 24 avril 1997

**Standing committee on  
public accounts**

1996 annual report,  
Provincial Auditor:  
Ministry of Labour

**Comité permanent des  
comptes publics**

Rapport annuel 1996  
Vérificateur provincial:  
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## LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON  
PUBLIC ACCOUNTS

Thursday 24 April 1997

## ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

COMITÉ PERMANENT DES  
COMPTES PUBLICS

Jeudi 24 avril 1997

*The committee met at 1038 in room 228, following a closed session.*

1996 ANNUAL REPORT,  
PROVINCIAL AUDITOR

Consideration of section 3.16, occupational health and safety program.

**The Chair (Mr Bernard Grandmaître):** Good morning. We are now into our open session. With us this morning are three witnesses, possibly four witnesses: the deputy minister, the ADM and also the director of the occupational health and safety branch.

## MINISTRY OF LABOUR

**The Chair:** Deputy Minister, maybe you should start, and possibly introduce your colleagues. Good morning.

**Mr Tim Millard:** Thank you, Mr Chair. My name is Tim Millard, the Deputy Minister of Labour. On my right is the assistant deputy minister of the operations division, Paavo Kivisto, and on my left, Dr Ed McCloskey, the director of the occupational health and safety branch. Shall I commence with some opening remarks?

**The Chair:** By all means.

**Mr Millard:** First, let me thank you for the opportunity to be here and for inviting us to bring you up to date on the ministry's progress regarding the Provincial Auditor's recommendations to improve our occupational health and safety program.

I think, as you know, our ultimate goal in the Ministry of Labour is a coordinated health and safety system where the ministry, its agencies, and the employers and employees of Ontario all work together to create among the safest workplaces in the world.

Even before our auditor made his recommendations, the ministry determined to end duplication of services, waste and inefficiencies that unfortunately had grown up over the years in the occupational health and safety system.

*Interjections.*

**The Chair:** Sorry, if you want another meeting, I would ask you to keep your voice down. Sorry, Deputy Minister.

**Mr Millard:** Thank you, Mr Chair. We made the decision to integrate the responsibilities of the Workplace Health and Safety Agency into the Workers' Compensation Board. Bill 15, which received royal assent in December 1995, marked the first stage of Workers' Compensation Board reform.

Bill 99, which awaits second reading, proposes the final transfer of all of the appropriate Workplace Health

and Safety Agency activities to the Workers' Compensation Board, consistent with a strong new mandate for the prevention of workplace accidents and illness.

Last March, acting on the recommendations of the review panel report on workplace health and safety, the ministry initiated stage one of reform of the entire workplace health and safety system. The internal responsibility system will remain the foundation of Ontario's approach to workplace health and safety. It makes employers and employees ultimately responsible for eliminating hazards in their workplaces and for ensuring they are healthy and safe.

Stage one set down five strategic areas for reform. The first was to identify priorities and goals for health and safety, with a focus on prevention through improved performance, evaluation and measurement. The ministry is working with the Workplace Health and Safety Agency, the Workers' Compensation Board and the safe workplace associations to develop a comprehensive injury prevention strategy. An inter-agency working group has developed performance measures to evaluate the effectiveness of our program initiatives and activities. The performance measures include statistics on the incidence of occupational injuries, the costs of these accidents and the level of self-reliance in the workplace.

The second phase was to expand the WCB's mandate to make prevention of illness and injury and the promotion of health and safety an integral part of its activities. This new mandate will be formalized in legislation once Bill 99 is passed.

The third was to restructure and streamline the safe workplace associations so their services are focused on the needs of the sectors they represent. This process is now under way.

The fourth was to develop new province-wide standards and approve training programs and training providers that meet these standards. The Workplace Health and Safety Agency has developed a new approach to certification training that recognizes that members of joint health and safety committees must have the knowledge and skills necessary to carry out their responsibilities. It has also finalized new training standards for certified committee members. The standards allow for greater flexibility in how training programs can be delivered, using classrooms, videos, workbooks, CD-ROMs, computer-based training and other methods.

And finally, a commitment to increase investment in occupational health and safety research. To this end, we are working to create new partnerships with universities, research organizations and the private sector.

Since the launch of the first stage of reform, the ministry has published its business plan, which defines



the ministry's new role as setting, communicating and enforcing workplace standards. This complements the Workers' Compensation Board's ultimate role of prevention and promotion. Again, it is emphasized that the workplace parties are expected to become more self-reliant in achieving those standards in order to eliminate hazards.

Most recently, the Ministry of Labour set the wheels in motion for the next major phase of reform. A discussion paper was released that seeks public input on how to update the Occupational Health and Safety Act so it will be relevant into the 21st century. Among the themes outlined in the discussion paper are:

- Enhancing the prevention of injury and illness in the workplace;

- Meeting the needs of today's changing workplaces by encouraging best practices and allowing greater flexibility for workplace parties to achieve health and safety objectives;

- Eliminating confusion over how to interpret the roles, responsibilities and rights of workplace parties by clearly defining and enshrining the principles of the internal responsibility system in the Occupational Health and Safety Act;

- Strengthening the effectiveness of joint health and safety committees by making them more reflective of the needs of the individual workplaces;

- Clarifying the right to refuse unsafe work to ensure that it's used effectively to rectify unsafe workplace practices and conditions;

- Eliminating red tape and any overlap or duplication with other legislation; and finally,

- Achieving the progressive reduction of injury and illness in Ontario's workplaces.

It's an ambitious agenda, one that goes a long way towards implementing the recommendations made in the Provincial Auditor's report on occupational health and safety.

The Auditor's first recommendation concerned measuring and reporting on effectiveness. It suggested the ministry develop an overall framework to more clearly define roles and responsibilities, set priorities and co-ordinate program delivery and evaluation. It also called for the establishment of mechanisms to identify and eliminate duplication of service wherever practical.

As I have pointed out, much of this has already been accomplished. The roles and responsibilities of the ministry, the Workers' Compensation Board and key health and safety agencies have been clearly defined and priorities have been set. Steps have or are being taken to identify and eliminate duplication of service and to coordinate program delivery and refine strategies for evaluation.

Workers' Compensation Board data on injuries and the costs incurred are now available online for most ministry field staff, with province-wide access expected by the end of June. The data is being used by ministry inspectors to target workplaces with a high rate of serious injuries.

The auditor's second recommendation concerned administering and enforcing the Occupational Health and Safety Act and its regulations. It was recommended that the ministry devise a priority-setting process for ranking significant health and safety hazards, and procedures for

monitoring the progress of regulation development and amendment and for taking timely corrective action.

Accordingly, the ministry has developed a priority-setting process for ranking significant occupational health and safety hazards. The process includes a mechanism to identify and evaluate hazards and a mechanism to assign them into groups and give them a priority ranking for ministry action, including the development of regulations and standards, where needed.

The ministry has also implemented a streamlined process for developing regulations which incorporates the priority-setting process, includes specific management procedures to ensure accountability and timeliness in the development of specific regulations and associated standards, and allows for consultation with stakeholders within a set time frame. These new processes will also be used for the development of codes of practice and guidelines.

The auditor's third recommendation concerned enforcement, specifically with the development of alternatives for dealing with work refusals. As I've already noted, the discussion paper on the review of the Occupational Health and Safety Act makes it clear that the government is committed to retaining the worker's right to refuse unsafe work. However, the discussion paper also seeks public input on how the right to refuse can best be used to make workplaces safer.

The paper asks what changes, if any, are needed to make the right-to-refuse provisions easier to understand and apply, ensure the right to refuse plays an effective role in the internal responsibility system, and ensure the right to refuse is used responsibly by the workplace parties.

The auditor's fourth recommendation concerned setting priorities for workplace inspections and suggests the ministry should develop procedures and criteria for identifying high-risk workplaces and targeting workplace inspections, and make more extensive use of workplace information from the Workers' Compensation Board and other health and safety organizations.

The ministry, in response, has developed criteria for dealing with poor workplace health and safety performers. Using its own records of accidents and health and safety complaints and computer access to Workers' Compensation Board data on injuries and ratings, the ministry will be better able to identify and target high-risk workplaces and businesses with poor health and safety records. Analysis of the variety of information available will help this ministry to target problems within sectors and develop a plan of action for the inspectors in each district office to work with business to solve the problems.

For example, in the industrial health and safety program, information on 16 sectors sets out field delivery strategies, key issues and concerns, major and new hazards and statistical data, along with other parameters that field staff can use in planning their work.

The Workers' Compensation Board will also have a role to play through its new mandate of preventing workplace injuries and illness and promoting health and safety. Of course, the emphasis will be on the workplace parties taking responsibility for ensuring that their workplaces are safe and hazard-free.



The auditor's fifth recommendation concerned the handling of outstanding orders. The ministry is asked to ensure that appropriate corrective action has been taken on identified health and safety hazards and violations. The auditor suggests that a system should be established for rating orders according to the seriousness of infractions and for monitoring progress on compliance. Serious outstanding orders should be promptly followed up on.

The ministry does not issue orders lightly and expects all orders to be complied with as quickly as possible. We have cut the number of outstanding orders by more than half and will continue to keep them at a minimum.

1050

Quality assurance plans have been set for the industrial, construction and mining programs that are designed to ensure that health and safety inspectors follow through on investigations. The plans include monitoring outstanding orders and ensuring they are complied with promptly. To help implement the quality assurance plans, seven regional program adviser positions have been created.

The auditor's sixth recommendation was that the ministry establish appropriate procedures for managing field visits in order to improve the quality of inspections and ensure better use of inspection resources.

The ministry has already undertaken to ensure that field staff target high-risk workplaces. Health and safety inspections increased by 46% in this last fiscal year.

The development of work plans for field visits, including the setting of targets on a provincial and regional basis, is well under way. The regional program advisers will work with health and safety managers and their field staff to develop individual work plans that include targets for each inspector.

Finally, the auditor recommended the ministry ensure that annual performance reviews for inspection staff are done on a timely basis. This will make it easier to identify and act on the training needs of new and existing staff. The result should be a well-trained staff that can deliver consistently high-quality services.

An operations division training plan is produced annually. This plan establishes curriculum and training priorities for health and safety inspectors. All field staff now have training plans included as a part of their performance agreements and a list of required courses has been prepared, based on the training needs identified in their agreements or contracts. Twenty new health and safety inspectors are now in the process of being trained, using the courses that grew out of this process.

The final touches are also being put on setting down the core competencies necessary for health and safety inspectors to implement the ministry's revised mandate of setting, communicating and enforcing standards. Based on these core competencies, the health and safety program will design and deliver the necessary courses for its field staff.

Discussions are under way with the Construction Safety Association of Ontario and the Industrial Accident Prevention Association regarding course delivery to construction and industrial health and safety inspectors. These courses should be ready for delivery in this fiscal year.

As you can see, much work has already been done to implement the auditor's recommendations, and the ministry is coming to completing the task.

I welcome any questions about the ministry's progress on the auditor's recommendations, Mr Chair.

**The Chair:** Thank you, Mr Millard. Mr Hastings.

**Mr John Hastings (Etobicoke-Rexdale):** Thank you, Mr Millard, for coming today and presenting your views on where the ministry is responding to some of the issues raised by the auditor.

My primary concern relates to the state of training in the inspections branch. I'm curious as to the auditor's point that 50% of the mandatory training component was out of date as of — I don't know when. If that's actually the situation, how many people does it affect? If inspectors had been there, let's say, 10, 12, 15 years, would not their core competencies have been drastically affected in the delivery of inspection service if they hadn't been able to continue their mandatory training? In other words, I guess the whole issue here is, who is running the ship in that branch and did it not affect pay performance consequently right down the line?

**Mr Millard:** I'll attempt to answer that, and if my colleague Mr Kivisto feels the need to jump, I'm sure he will want to do so.

First of all, let me explain that it's my belief that we have a highly committed workforce of health and safety inspectors. Any training deficiencies were not the fault of the inspectors. I think inspectors gain their ability to do the job through the combination of experience, training and the academic education with which they come into the job.

Our inspectors are not on a performance pay basis and so I will deal with that up front. Pay for performance, as you perhaps know, in the Ontario public service, is limited to senior management and is not a feature of the inspectors' pay, but performance agreements are now in place for every inspector and there is a training and development plan in place for every inspector that indicates the kind of training and development they need to meet the agreed-upon standard in their performance agreement.

There had been a lag in the development of training and in the delivery of training; there can be no question about that. Inspectors recently have brought that to our attention. Over the last year and a half it's been brought to my attention since I became deputy minister. There has been a response to it, a meaningful response, but I just want to be clear that I see it not as the responsibility of the health and safety inspectors. We, as management, must create an environment within which they have the opportunity to learn and provide the tools for them to learn. We're committed to doing that and we are doing it.

I think the fact that Paavo, for the entire operations division now, both in occupational health and safety and in employment standards, has in place individual training and development plans. Individual performance agreements for every field staff is exactly what needs to be done in that regard to respond to your issue about the lack of currency in the inspectors' ability to cope with what are major changes in the workplaces.



**Mr Hastings:** How did it come to be that there was such a lack of anticipatory action by whoever was running that inspections branch in terms of the senior management? Surely somebody must have recognized back two or three years ago that there was a problem, before even you arrived.

**Mr Millard:** Paavo.

**Mr Paavo Kivisto:** Perhaps I could respond. The training curriculum that was in use by the occupational health and safety managers and staff had been developed in the late 1980s and early 1990s and it included quite a wide-sweeping range of courses. Most of the critical ones that involved the job of addressing inspections and appliance were in place, but there were some parts of that curriculum that had not yet been developed in terms of the priorities established almost 10 years ago.

Back around 1992-93, in that range, the operations division identified through its inspectors the need to really beef up our investigation enforcement training. We put a lot of energy involving staff and managers into developing a series of modules that would help us do that part of our job better. There was, if I remember right, a task force of close to 25 field staff with management that addressed that. We put on a series of training programs that took us almost a year to develop and deliver. That has been delivered in a structure that is available now to all field staff.

Training in the ministry 10 years ago was largely a centralized affair. Staff were expected to come to a central area to receive their training. We realized that doesn't work any more. You can't bring people from around the province, as you hire them and as they leave, one at a time, to do training effectively with that kind of classroom instruction. We developed a series of modules and coaches who can deliver that training remotely from centre. So from about the mid-1990s through the current time, the approach has been quite different in terms of the way we deliver our training when training is required.

The more recent exercise of working to core competencies I think will also help refine what we think are critical skills and information that inspectors need to do the job well and will help us focus to make sure that's available as required and more flexible in terms of delivery.

**The Chair:** Mr Hardeman. Every caucus will be given 10 minutes.

1100

**Mr Ernie Hardeman (Oxford):** Thank you for the presentation. A very quick question first. Locally it's been expressed to me that the ministry is cutting down the length of time we spend training people, not necessarily ministry inspectors but the people who are involved in the health and safety committees in the workplace. It used to be a weeks-long program and then it went down to a week and now it's down to three or four days. Is that an accurate assessment of how we are training the safety inspectors, both the ministry ones and the local ones?

**Mr Millard:** If I may, Mr Hardeman, I think the training to which you refer is the training for joint health and safety committee members in the workplace. The Workplace Health and Safety Agency has developed a new set of standards, both for certification training —

certification training is directed towards employer members and employee members on the joint health and safety committees. The Workplace Health and Safety Agency developed a new set of guidelines, new certification standards for both the content of training and for the deliverers of training, but as I said in my presentation, they are designed to be more flexible to allow for appropriate combinations of classroom, workplace-based and even sometimes home-based training with all of the new adult learning techniques available to them. These are adults and we must have adult learning tools available for them.

Until 1995, the Workplace Health and Safety Agency unfortunately had not been able to develop a consensus around appropriate training for the service establishment and so very little, if any, training had taken place for joint health and safety committee members in the service establishment. As the result of the new standards to have appropriate training with the appropriate flexibility and guidelines available, it's my understanding that we now have more than 8,000 people enrolled or taking training in the service business. The service business is not hazard-free, as we all know.

That is what it was intended to do, and I believe that's where it's succeeding. It's making training more generally available. It is not as prescriptive as previous training requirements were; it is more performance-based. There is argument and there is of course controversy around whether learning should be prescriptive or whether there should be a performance standard associated with it and allow the appropriate techniques to be used to achieve those appropriate performance standards. But the bottom line in the service establishment, in other areas, is that more training is taking place, and I'm confident it will be appropriate training.

**Mr Hardeman:** The other item, if I could, Mr Chair, just very quickly: Could you outline for me how a process that would set priorities as to which areas should be looked at, as opposed to others, as it relates to safety? Is one accident waiting to happen worse than another accident waiting to happen?

**Mr Millard:** Since both Paavo Kivisto and Ed McCloskey are far more involved on a day-to-day basis, I'll ask Paavo.

**Mr Kivisto:** The question about how we set priorities in terms of hazards in workplaces and where we put resources, be it resources on the training side or be it resources on injury prevention or promotion or enforcement, it's done on a basis of two sets of numbers. One is injury experience looking backwards and saying in effect that if something isn't done to intervene in terms of that trend, we need to do something about it. You need to look at the nature of the injuries, some of them causing worker death, others serious injury that requires long absences from work. From the ministry's perspective, we're focusing on those.

There are other kinds of injuries that are related to musculoskeletal injuries, repetitive strain injuries, that are more properly the priority of the safety associations and other groups that are into prevention promotion. What we are working on together with the Workers' Compensation Board, the Ministry of Labour and the safe workplace



association is an injury prevention strategy. We have a draft document that we prepared and have shared with those two other organizations that's being finalized and that will help set out who's going to do what and what priorities we're going to have as individual organizations so that we fit together from the prevention promotion side right through to enforcement, and eventually with the compensation side, dealing with rehabilitation, return to work and insurance.

That document, I think, and the discussions around it have been very helpful in terms of each of us understanding where our resources would have the biggest impact on injury prevention, and we're looking at the strengths that we all bring.

**Mr Richard Patten (Ottawa Centre):** I'd like to try and get an overview context, if you don't mind, on a few things. You have responded, and the auditor said that in fact the ministry responded, quite positively to every recommendation that was there in terms of some activity. These things have implications of course for the next phase. You address this in your presentation in the coordinated role and the role for the WCB and the new sets of responsibilities for the parties in the workplace, the employers, the employees, their committees and all that kind of thing.

Having said that, my information suggests that the response to the auditor was last year, in writing, and you've elaborated somewhat on this. However, when I look at the 1996-97 budget, I note that the ministry has lost 24.5%, or \$38 million, and almost 41% of your staff, which is 751 employees. I have to conclude either there was tremendous waste before, and now you've got fewer employees but they're all at least twice as efficient and will address the future with great optimism, or that you've had to redefine and there has been some redefinition of roles, as I see it.

I know the government is certainly anxious to pass on responsibilities, other than with what the government has. It may be hard for you or may be too political a question, but it seems to me if I were running a ministry and had just lost 41% of my staff, I would be getting pretty desperate. These observations by the auditor were made prior to the cuts and yet you've been able to respond positively to them. Could you describe to me the challenges that you face? Of course, my information may not be correct, but if it is correct, how do you respond to those challenges?

**Mr Millard:** It is always challenging. First, let me say that the Ministry of Labour is responsible for a broad range of services. Occupational health and safety is one of them. Employment standards is another. Labour management services, labour relations, conciliation, mediation, arbitrations: Those all make up the program components and the budget of the ministry.

What do we do first? We set priorities. In meeting the challenge that I think every organization in the 1990s is facing, and we're not unique in that regard, we set priorities: What do we do best? What we take into account is, what is the public's most significant set of needs from us? How can we best respond to those needs of the public? Then let's look at the priorities that we must place upon our own programs, on our own expendi-

tures, and let's see whether we can't have others who have an important role to play in the provision of services to the public, who can do some things as well as, or better than, us or if we are duplicating, if we are overlapping. We set our core businesses.

I will give you an overview. In the Ministry of Labour we have reduced our administration expenditures by 50% in two years. I think that is where one should start. We've engaged other ministries of the crown to provide services for us that we used to try to provide for ourselves.

1110

**Mr Patten:** What proportion of the budget would that represent, Mr Millard, 50% of administrative costs?

**Mr Millard:** I don't think I have that immediately before me. I didn't anticipate that question, but none the less they are substantial expenditures and they will be in the estimates and in the business plan. But we engaged others from the crown, other ministries, to provide at least six different services that we used to try to provide ourselves, and they're doing it in a more cost-effective manner.

We had to make tough decisions around the provision of things such as grievance mediation services. We came to the determination that the outcome of a grievance mediation — where there is a collective agreement, there is a process in place for being able to resolve that grievance.

Is that as large a public good as it is a private good? Therefore, should that service be provided privately? That is one of the decisions we made. We decided that grievance mediation — non-mediation and conciliation, which we think really does have a large impact on the public good, but grievance mediation less so, so we made that kind of decision.

Within occupational health and safety, we wanted to go directly to occupational health and safety. We have committed ourselves to retaining the number of health and safety inspectors. We have not reduced the number of health and safety inspectors. We think that's by far the thing that the public expects most of us, to have someone there to be able to enforce the law. I hasten to add that when we talk about self-reliance we are not talking about self-enforcement. The government of Ontario, the Ministry of Labour, still enforces the Occupational Health and Safety Act.

We retained the number of inspectors, but we had to engage in other ways to have service provided. We have privatized a laboratory. We now have the services provided to the employer at employer cost, most often by a private laboratory. It is a cost of doing business. Those are the kinds of decisions we've made in order to effect the kind of change that was necessary, in our view, in our ministry — and yet I believe, and I firmly believe, Mr Patten, protected the public interest. That's the kind of decision-making process and the kind of management deliberations that we engaged in.

**Mr Patten:** Actually, I'm pleased to hear that. If you have to make those hard decisions, I would hope the health and safety side would be perhaps the highest consideration.



Some of the labs that were closed — how many were replaced or how many just had to be dropped? We know the ministry had to drop some labs. How many were picked up by a private research firm or by a private company?

**Mr Millard:** I know that our occupational health lab services were contracted and that lab is now being operated by Novamann laboratories. Paavo or Ed, can you speak to the others, the status at the present time?

**Mr Kivisto:** I can do it and Ed can fill in. There were four labs that the operations division ran, the occupational health lab being one, that Tim just spoke to. There are three others: the radiation protection lab that is used to analyse radiation-related samples from the workplace, but also from the environment. We are in negotiations with the federal government in terms of them providing that service to the province of Ontario in terms of the lab itself.

**Mr Patten:** Is that the one where it had the chest X-rays for a lot of workers that was backlogged, or is that another lab?

**Mr Kivisto:** No. I'll speak to that at the end. Another lab was the chest clinic itself that you're referring to, where we took chest X-rays and pulmonary function tests of workers. That service is available through various hospitals and medical clinics, but the most important part of that service was the reading of the X-rays and the pulmonary function tests and the storage of that information for medical studies. That responsibility has been transferred to the WCB and it is in fact carrying that out.

The fourth lab is the materials testing lab, which is in Sudbury, for testing mine wire ropes. We are into negotiations with Laurentian University and the Sudbury Business Development Corp to see if there's some way of having someone else operate that particular lab as part of the big centre, and those things are yet very preliminary in terms of discussions. We haven't got a conclusion on that. Notwithstanding that, we have committed to continuing the materials testing lab portion as long as necessary until we find someone else who can provide that service to workers in the industry.

**Ms Shelley Martel (Sudbury East):** Thank you, to the three of you, for appearing here this morning. The auditor used information that was based on the 1995-96 fiscal year, and I'm wondering if you have information with respect to field visits to workplaces, inspections, investigations for the 1996-97 fiscal year.

*Interjection.*

**Ms Martel:** All right. I'd like to base my questions on the 1996-97 fiscal year, if I might. Can you tell the committee how many field visits to workplaces occurred in the last fiscal year?

**Mr Kivisto:** The reason I'm hesitating is only because we sometimes report things on a calendar year and sometimes on a fiscal year and I've got statistics on both. In the fiscal year 1996-97, we have carried out 48,800 inspections, 12,500 investigations and 2,800 consultations, which is 58,100 field visits.

**Ms Martel:** Can you explain to me the difference between the inspections, the investigations and the consultations, because in the numbers you just gave us, around the inspections in particular, there was a signifi-

cant difference in numbers, and maybe there's a reason for that I don't understand. Can you give me actually the definitions, because the auditor's numbers were a little bit different. There have been some changes, some positive ones certainly, on the field visits side, but the others I'm not quite sure if they were all changed upwards.

**Mr Kivisto:** I can explain the difference. I don't understand what numbers you're looking at.

**Ms Martel:** We've got the Provincial Auditor's audit, so I'm using his numbers from the fiscal year just to make the comparison. Certainly there's been an increase, then, on the field visits, for example, to workplaces, because there were 42,000 in 1995-96. You just told me there were 48,800 in the last fiscal year.

There was a breakdown, then, of inspections, investigations and consultations?

**Mr Kivisto:** Yes.

**Ms Martel:** I'd like to know what the differences are between inspections, investigations and consultations.

**Mr Kivisto:** The field visits consist of all of our trips into the workplace, and we have several kinds of activities when we go to a workplace. An investigation is triggered by either a workplace accident of some type or a complaint or a work refusal which is made to the ministry and requires a response from us into the workplace. We'll go out and investigate and render our decisions and conclusions as required. Consultations are requests by the workplace for us to go and give them some information. These are field visits; these aren't done in the office. Somebody gets in a vehicle or whatever and travels to the workplace. Inspections are planned inspections that the ministry carries out. What we have is a planning process whereby we target how many days an inspector has available to do inspections and we target workplaces for inspections based on their compliance record and their accident record.

As I said earlier, in 1996-97, the number of field visits overall increased substantially, as did inspections. The reason that happened was not because there was an increase in the number of inspectors, but we gave clear direction to our staff that their job is to be interacting face to face with the client, and all of the other work that they did that we could divert to a field presence, we would do so. So the administrative duties they were doing in the office, filling in reports, anything we could do to streamline their work was done. As well, by targeting the inspections to high-risk workplaces, many of them being smaller workplaces, we were able to increase substantially the number of field visits our officers made.

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**Ms Martel:** How many orders were issued?

**Mr Kivisto:** Last year the number of orders was 54,000.

**Ms Martel:** How many of those led to a prosecution?

**Mr Kivisto:** I don't have how many prosecutions were initiated last year offhand, but I'll look it up for you. Prosecutions by the ministry are governed by our prosecution policy. We have a series of criteria that we expect our staff to follow in terms of considering prosecution. They are things such as non-compliance with an order. Every time there's a workplace death or a critical injury, we consider whether there should be a prosecution. In



other words, if there has been a contravention of a regulation that caused a workplace death or critical injury, there will be a consideration for prosecution. It doesn't mean we always prosecute, because sometimes there hasn't been a regulation contravened and sometimes we can't prove it to the satisfaction of the courts. If there's obstruction of an inspector in the carrying out of his duties, if there are flagrant violations that could have serious consequences, we consider prosecution. We typically prosecute between 300 and 500 times a year, but that varies from year to year depending on circumstances.

**Ms Martel:** Can you give me an estimate of what the breakdown would be between prosecutions of employers and prosecutions of workers?

**Mr Kivisto:** I can't give it to you today, but I can certainly provide that for you.

**Ms Martel:** Can you give the committee any sense as to the increase from the auditor's year of doing the audit, 1995-96, where we had 35,000 orders, to last year, where you said we had 54,000? That's a pretty significant increase in a single fiscal year. Do you have any idea of what's happening?

**Mr Kivisto:** One of the things, if you look at the number of inspections carried out the year the audit was done, you'll find that typically we were averaging about an order per inspection. That ratio has gone up a bit. There's a bit more than an order per inspection now.

A good example might be what we did with the forklift initiative last year. We identified, through some statistical analysis, that there had been 21 workers killed around forklifts over a five-year period, six in one year. We worked with the WCB and the safety associations to devise a forklift initiative where the ministry would target any workplace where we believed there was a forklift operating. In eastern Ontario, for example, where this thing really took off, the ministry did 2,600 inspections of workplaces that had forklifts, resulting in 6,000 orders. You can see the ratio there is almost three orders per inspection, a really good, effective use of targeted inspections that had a big impact on workplaces.

The fact that we worked with the safety associations and the WCB allowed them to be ready for clients who would be calling for help, because as we went out and found out that there were contraventions and lack of training perhaps of workers, we were able to refer them to the appropriate organization for support. These organizations have seen a major increase in requests for training around forklift operation. By working in concert with each other on an initiative like that, we've increased the number of orders per inspection, had a major impact on workplaces and have also complemented and supported workplaces by having training materials available through the safety associations.

**Ms Martel:** How many of your inspections would have been planned and the employer notified in advance, and how many would have been inspections where the inspector showed up unannounced and without having that prearranged?

**Mr Kivisto:** All inspections are planned. We don't carry out any inspections that are not planned. Unplanned work is investigations where we get a phone call and we

have to respond, and we drop our plans for an inspection the next day or two, whatever, and do the investigation.

In terms of prior notice of inspections, the only time that is done is where there has been an arrangement made at the request of the workplace parties, the workers and the employer both jointly agreeing that they want prior notice so they can organize their people to be present for the inspection. There are very few such agreements, but they are in place.

When a request is submitted for prior notice, we look to make sure that both sides, the employer and the employees, agree, and if there's a union, the union agrees. We look at their compliance record, we look at their accident record and we either agree to do it or not, always reserving the right to do an unannounced inspection if we so choose.

**Ms Martel:** What I'm getting at is this: I suspect the vast majority of workplaces in the province don't have joint health and safety committees. Perhaps you can give the committee that number too. I'm wondering how some of those inspections, then, would be triggered. What do you do in the case where you get a call from a non-unionized worker who says, "I'm really concerned about what's happening on this site; I would like to exercise my right to refuse, and I think I should because of this site"? What does your inspector do when the ministry gets a call like that?

**Mr Kivisto:** We do two things when we get a phone call from a worker about a work refusal. We'll first determine from that worker whether they've made an effort to have that thing investigated internally by the employer and supervisor, as they're required to do under legislation. If they've followed the right process to try to resolve it internally and there is a refusal requiring a ministry investigation, we'll go investigate. A work refusal is a very specific request for ministry intervention.

**Ms Martel:** In that case, does the inspector call the employer first or does the inspector just make a determination that the worker has made every effort to exercise his responsibility and so it's up to the inspector to go? Is there notification to the employer in that case?

**Mr Kivisto:** I would expect the inspector to talk to the worker and find out what they've done to try to resolve the issue. In some cases, the workers don't know that they should report it to a supervisor and they should have a supervisor look at it. If the two of them agree that something is wrong and it gets fixed, we don't hear back.

We'll say to the worker: "Who have you talked to? Have you made an effort to bring it to the attention of your supervisor? What did they do?" If the end result of that is, yes, it was reported to the supervisor and they can't agree, then the inspector will make a visit to the workplace and, through that visit, investigate that particular circumstance and make a determination as to whether or not that work is likely to endanger or not likely to endanger workers.

**The Chair:** Thank you. I must move on. The Progressive Conservative Party, any questions?

**Mr Derwyn Shea (High Park-Swansea):** Let me just very quickly ask a couple of questions, as I want to get to two essential points, but preface my questions by thanking the deputy minister. I think particularly your



response to Mr Patten was very forthright, very responsible, and I think it reflected a healthy and commonsense approach to the way in fact we are trying to get our priorities straight in government.

I want to ask you to go to a couple of points. Injury prevention strategy: Can you just elaborate a little further on that?

**Mr Millard:** An injury prevention strategy says that there really should be no injury that can't be prevented. One has to approach this avocation and vocation and passion, if you will, with that as your state of mind, that every injury should be considered to be preventable. The internal responsibility system, I think appropriately, says that the employer and the employee have the greatest opportunity to prevent an injury. They become the focus.

Having created that focus on the workplace, then of course it's necessary to say: If that is where the direct responsibilities lie and the direct contribution, where does the indirect responsibility lie? What is the role of the employer? What is the role of the employee? What's the role of the Ministry of Labour? What's the role of the Workers' Compensation Board? What's the role of the safe workplace associations and others, universities, research organizations? You work together to say, "What will each of us do that is complementary to each other, assisting the parties to prevent every injury possible?"

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When we look at the Workers' Compensation Board, we look at some core responsibilities around ensuring prevention and making sure they have appropriate return-to-work strategies that don't result in reinjury, that there is appropriate opportunity to rehabilitate people to work if we as a system fail and there is an injury. The Ministry of Labour determined we must set, communicate and enforce standards. That's our core business in injury prevention.

Universities have a large role to play in research. That's why we're working with universities, other agencies and the Workers' Compensation Board to develop a research network and a research initiative that will invest more money in research.

Safe workplace associations: What should the Industrial Accident Prevention Association be doing in a single strategy? That's why I referenced, in my opening comments, a health and safety system. This must be a system, and it must all aim itself at helping that employer and employee prevent every injury possible in their workplace. That's what we mean by an injury prevention strategy.

**Mr Shea:** You anticipated a question I wanted to ask you about the roles of the various agencies, because the auditor picked that up in his report, that there was some lack of clarity. I gather from your response you're beginning to get some clarity back into the roles and you're trying to make them all effective in supporting each.

Let me go to another question and ask you if you can agree that every centre of employment is a potential for injury. Could we agree with that?

**Mr Millard:** I believe that to be the case.

**Mr Shea:** If that's the case, then would it follow that every centre of employment could be assigned a risk assessment number?

**Mr Millard:** Let me be careful, because we may be speaking different languages when you say "a risk assessment number." I believe it's possible to analyse the hazards and the risk in every workplace, yes.

**Mr Shea:** All right.

**The Chair:** One last question.

**Mr Shea:** Oh, Lord, forget it. I'll pass it. This is silly.

**Mr Jean-Marc Lalonde (Prescott and Russell):** You're probably aware that between 1992 and 1994, \$50.4 million was paid in compensation to injured Quebec residents on construction sites in Ontario. That was for 5,703 claims. But you are saying on page 13, "Discussions are under way with the Construction Safety Association of Ontario and Industrial Accident Prevention Association."

My question at the present time: When you deal with the construction people, especially in the Ottawa-Carleton area, are you aware that over 40% of the people sitting on those boards of the construction associations are Quebec residents, and also that the majority of non-unionized construction sites are not following the health and safety standards established by the ministry?

Really, when it comes down to that, I know that when you have a planned visit to a construction site, they get ready for that visit. Especially when we look at this amount of money that was paid to Quebec residents, it really scares me that at the present time the Ministry of Labour is planning those visits and those Quebec residents sitting on those boards are advising the Quebec people, "Be careful, the inspectors are coming at this time."

We noticed that the latest construction contract that was awarded for the US embassy in Ottawa again is a Quebec-based construction company. It really scares me because the subcontracts are going to Quebec-based construction workers. I wonder if you people, when you meet those people, realize that the majority of the association members you speak with are not from Ontario and that they're trying to protect the Quebec people.

**Mr Millard:** I am trying to assimilate all of the information you've provided me with. Do we understand the nature of the workforce in eastern Ontario, particularly as it relates to construction? Yes, and as you will know, M. Lalonde, we worked very hard on the Ontario-Quebec labour mobility agreement for that very reason —

**Mr Lalonde:** That has gone nowhere.

**Mr Millard:** — because there are some distinct characteristics of the nature of work in every region of this province, I want to make it abundantly clear, not just in eastern Ontario but across this province.

When my colleague Paavo Kivisto says inspections are planned, that does not mean that people are notified in advance that we will be inspecting. In fact, it is the rare occasion and it is the exception when the workplace parties know in advance that we will be conducting an inspection. I want to make that abundantly clear. We do not foretell our presence on those construction sites.

If someone else is doing that, then they are doing it with access to information that belongs exclusively to us, and if they have access to that information, I would be interested in knowing how they're getting access to that



information and following up on that. We don't alert the parties.

**Mr Lalonde:** Do you alternate inspectors?

**Mr Millard:** We do from time to time; in fact, often. Paavo can speak to this in much greater detail, but I know we do alternate and rotate the areas for which an inspector is responsible. That is not because it questions the integrity of our inspectors, it's because it gives them greater opportunity to bring their experience to a new area, often to work with younger inspectors and coach and mentor them. So yes, we do that, but I am not of the view, irrespective of the origin of the employer or the work, that they have any inside knowledge about our intent with respect to inspections. I don't believe that to be the case.

**The Chair:** Can the Chair step in and ask a question? When was the last time that you or your ministry met with your Quebec counterpart to evaluate what was signed, the Ontario-Quebec agreement? When was the last time you evaluated that agreement?

**Mr Millard:** As you perhaps know, my assistant deputy minister, Tony Dean, worked tirelessly on that, as did the minister, the Honourable Elizabeth Witmer. I can confer with Tony and see when he last met with his colleagues on the steering committee and get that information to you, Mr Chair. I would be pleased to do so.

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**Ms Martel:** I want to ask some questions about certification training now. I'm going to follow up from where Mr Hardeman was going, because I think the ministry view about the changes to certification programming, and the view on the ground of people receiving it, is in fact that there has been a cutback. The word you used is that it's "flexibility." Some others would argue that there has been a decrease in the actual number of weeks certified members would receive training, and they are concerned that results in less training, less intensified training and less training in very specific areas for worker-employer reps.

I am just wondering if you can give the committee a sense of, before the agency made its flexibility changes, what a certified employer rep and worker rep would receive in terms of certification training, the number of weeks. It might vary by sector. I know you talked about the fact that the service sector didn't receive a lot of training right up through 1995, but a number of other sectors like mining and industrial did a huge chunk of training for people.

**Mr Kivisto:** I'm not intimately aware of the specific standards the Workplace Health and Safety Agency has put out in terms of training. The previous standard was from one to three weeks, depending on the nature of the industry. I understand it's now in the nature of three to seven days, depending on the nature of the industry.

The specific numbers about training that's taking place, I've asked the agency to give me that information to review in terms of where there may be noncompliance with certification training across the province. I haven't had that information given to me yet, but I was told it was coming in the next week or two.

**Ms Martel:** I'd like to receive it, and perhaps you can also ask the agency what has been cut out, then, of the

core program to move from even one to three weeks now down to four to seven days. If you could provide that, if it matches up industry by industry under the agency before and the agency now and the differences in weeks and what has been lost, I would appreciate receiving that information.

I wonder if you have information on the operating budgets of the, for lack of a better term, employer associations that provide training and the worker associations or agencies which provide training. I'd be interested in seeing that budget, not only for the last fiscal year — I'm not sure if you have it in place for 1996-97, and you can give that to us — but I'd like to have it over three years: 1994-95, fiscal 1995-96 and fiscal 1996-97.

The reason I ask for that information is that I am given to understand that some of the worker agencies which deliver training received a greater proportional cut than the employer agencies, and I'd like to know if that's true. If it is true, I would like to know the reason for that.

**Mr Millard:** I don't think any of us have that information at hand, Ms Martel, in terms of the budgets.

**Mr Kivisto:** My information was that the WCB has given budgets to cover the end of June and would be reissuing budgets to go from July 1 onward and as yet they haven't proposed what the moneys would be. I also am aware that they are looking for some administrative savings, as most organizations have in terms of that, from the safety associations, but what the specifics are, I don't have. So we'd have to get that for you.

**Ms Martel:** I understand even last fiscal year there was a significant proportional difference in the cuts assigned between the employer-led associations and the worker-led. I'd like to know why that is, since they're both delivering training that's certified, that's recognized by the ministry and the province.

**The Chair:** One very short question, Ms Martel.

**Ms Martel:** Can you tell me who the representatives were on the review panel for the report on workplace health and safety?

**Mr Millard:** Brock Smith chaired it; Pat Coursey, who was the assistant deputy minister of operations at that time with the Ministry of Labour; and Pat Dillon, from the Provincial Building and Construction Trades Council of Ontario and IBEW at that time.

**Ms Martel:** An employer rep?

**Mr Millard:** I am trying to think, and I can't think, Ms Martel. I'm going from the top of my head. Those are the ones I can give you, but we'll give you that in the same response.

**The Chair:** One short question from the Progressive Conservatives and then we'll have to look at the time.

**Mr Shea:** You say one quick question. Are we about to end, Chairman?

**The Chair:** No, in about 10 minutes we'll be called for a vote in the House. That's why I want to get right on with it.

**Mr Shea:** Can I pursue the question I was raising about risk assessment? Is the ministry moving in any direction where in fact they might well be able to isolate criteria and apply them to every workplace so that some kind of a risk assessment factor could be assigned to every workplace, which would facilitate the kinds of



inspections and priorities to inspections you would want? Can you do that in a way that is done cooperatively with both the industry and the labour sectors and so forth?

**Mr Kivisto:** Maybe I could comment on that. We develop what we call a sector strategy. For the 16 sectors in industrial for mining and construction, we break out by type of work, by sector, what the injury frequency and costs have been for that sector and what major hazards are rising over the last year or two and are likely to occur there in future years.

We proportion the amount of inspector time to each sector based on that information. In other words, logging gets a certain number of days of inspection time based on their injury record compared to the other sectors. We have, through the WCB online database capability now at the inspector level, to take all of the logging operations in their geography and rank them by their injury performance.

An inspector now will have a list of all of the logging operations in his or her district and be able to say: "These are the ones that are not performing as well as the others are, and here's the average for that sector. These ones are worse; these ones are better." That way the inspector can allocate and plan his or her inspections so they will target the ones that are the poorest performers within that sector.

We have shared our sector strategies with the safety association up front, saying: "Look, here's what we think the hazards are. Here's the injury experience in that sector. Here's where we're planning to spend our time, looking at these kinds of hazards." We asked for their input so that they can then tailor their programs to match.

We're well on the way, this last year, to working in partnership with the safety associations to have a planned strategy for each sector and well on the way — we started planning with the inspectors in April for the next 12-month period — to having specific work plans that target the poor performers in an inspector's geography by sector. We'll tell you in a year's time about how effective we were in terms of finding hazards that haven't been addressed and in enforcing the legislation.

**Mr Patten:** I have a short question. How has your program review and evaluation and internal audit branch been affected by the cutbacks?

**Mr Millard:** Our internal audit is now provided by the internal audit branch from the Ministry of Finance. We have worked cooperatively with the Ministry of Finance to make sure that we have an effective internal audit capacity in place. One will appreciate very quickly, I am sure, that the Ministry of Finance has a much larger infrastructure than the Ministry of Labour does.

Those who formerly worked directly within my ministry in the audit area would have said that we stretched them too thin and it was hard for them to stay current and on top of, for instance, information technology, all the various areas of the government.

We essentially have a service contract with the Ministry of Finance where we sit with the director of audit from that internal audit branch. My audit committee — and it's my senior executives — and I sit with him, in this case. We look at the risks in our organization.

**Mr Patten:** So you have an internal service contract with finance.

**Mr Millard:** In response to that, he develops —

**Mr Patten:** How many people did you lose in that branch, five, 10, 15?

**Mr Millard:** Less.

**Mr Patten:** Less than that?

**Mr Millard:** Yes. In fact, they have been accommodated in — don't let me say all of them, but most of them have been accommodated within the Ministry of Finance's internal audit branch through reorganization there.

**Mr Patten:** Could I just make one last comment?

**The Chair:** Very, very short.

**Mr Patten:** I would like to ask the auditor to review that new arrangement to see whether — you said it was, prior to that, too thin — the quality of the audit internally has improved.

**Ms Martel:** I wanted to ask a question about the discussion paper on health and safety, particularly any potential changes around the right to refuse, because I for one am certainly concerned that there will be a weakening of work-refusal legislation that may have something to do with the auditor's review and the cost or may have something to do with just a change in philosophy.

On page 6, you said that the discussion paper allows for "clarifying the right to refuse unsafe work to ensure that it's used effectively to rectify unsafe workplace practices and conditions." What is the ministry's view about how you could change the current legislation so that it would on the one hand still protect a worker's right to refuse, but on the other hand clarify in the way you seem to want to in the discussion paper?

**Mr Millard:** I can with all forthrightness say that the Ministry of Labour does not have a proposal in that regard, Ms Martel. The issue has been raised by many. A number of employers have raised the issue around the number of times the right to refuse is worked when we subsequently come in and find that the situation was unlikely to endanger. Of course, the issue of cost to operation is raised in that context as well. Employees have raised the issue that often it is the only way they can attract the employer's attention to their issue.

There are often, as you know, competing or at least different views with respect to the efficacy and effectiveness of the present system, and so we have solicited comments. We're doing face-to-face consultations as well. As a matter of fact, today the Minister of Labour is meeting with a number of labour groups.

I was fortunate enough to sit in on the CAW consultation just before I came here this morning, and they're progressing with the minister in my absence and will continue this afternoon. Of course, they have a point of view with respect to how to strengthen the right to refuse and make it more effective. We're simply canvassing input. The extent to which those who are vulnerable are protected will be our goal, and in any analysis that'll be our first consideration.

**The Chair:** Thank you, Mr Millard. Before we go on with the PC caucus, the auditor would like to respond to Mr Patten's request.

**Mr Erik Peters:** Under section 17 of the Audit Act, requests of my office can be made by way of a motion of the committee, rather than by the individual. If it is the wish of the committee that we look into this by way of a motion, then we would be able to do that.

**The Chair:** Mr Patten, would you like to move a motion?

**Mr Patten:** Yes, I would like to, in the interest of having lost a service, pass it on to finance. I'd like to move that we ask the Auditor General's office, if they have the information already, because I know they audit these various things, to provide us some comment on the quality of the new service arrangement.

**The Chair:** Is it the pleasure of the committee that the motion carry? Carried. Very good. Mr Shea, you still have 30 or 40 seconds.

**Mr Shea:** No, thanks.

**The Chair:** Good. Any other questions?

Mr Deputy Minister and your colleagues, thank you for appearing before us.

Before we adjourn, I would like to remind you that on May 1 we will complete section 3.17, the property management division. That will be the last section to be revised. In the meantime, the clerk will phone the sub-committee members to talk about our future meetings. This meeting stands adjourned until May 1.

*The committee adjourned at 1155.*



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First Session, 36th Parliament

## Assemblée législative de l'Ontario

Première session, 36<sup>e</sup> législature

# Official Report of Debates (Hansard)

Thursday 1 May 1997

# Journal des débats (Hansard)

Jeudi 1<sup>er</sup> mai 1997

**Standing committee on  
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1996 annual report,  
Provincial Auditor:  
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## LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON  
PUBLIC ACCOUNTS

Thursday 1 May 1997

## ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

COMITÉ PERMANENT DES  
COMPTES PUBLICSJeudi 1<sup>er</sup> mai 1997*The committee met at 1037 in room 228.*1996 ANNUAL REPORT,  
PROVINCIAL AUDITOR  
ONTARIO REALTY CORP

Consideration of section 3.17, property management division.

**The Chair (Mr Bernard Grandmaître):** Good morning and welcome to the standing committee on public accounts. This morning I have four witnesses on my list, but I can only see three before me. On my list it shows Michele Noble, the deputy minister; Ken Bauman, vice-president of property management; Jean McLeod, chief executive officer; and David Carmichael, director of the audit and business improvement branch.

Before we start, M. Beaubien has a major announcement to make and he would like 30 seconds to do so.

**Mr Marcel Beaubien (Lambton):** Thank you, Mr Chair. It's not an announcement, but I do have a colleague who is anxiously waiting to relinquish some of his responsibility. Therefore I would propose the following motion:

That Mr Grimmatt replace Mr Shea as a member of the public accounts subcommittee on committee business.

**The Chair:** Any debate? Is it the pleasure of the committee that this motion carry? Carried.

Any other major announcements? Very good. Maybe the deputy minister, Michele Noble, can start. Good morning.

**Ms Michele Noble:** The Chair has indicated and introduced the four people we did have listed, and David Carmichael has joined us at the table. I will let committee members know that we also have with us today Ann Gabriel, who is our vice-president of property support with ORC. She is an additional member from the ministry to be here to answer questions this morning.

My comments are going to be very brief. I just want to say, contextually, that ORC is undergoing a lot of change at the present time in terms of establishment of ORC as a crown agency and changes that we're currently undertaking in terms of restructuring the agency and looking at how we will change the way the mandate is carried out. In that vein, as a general comment I would say to the committee that we found the auditor's report very timely in terms of the review at the time that it was taken, and the findings, because we are in that process of change. It allowed us to take into account the auditor's remarks and advice as we go about making the change.

I will perhaps conclude by saying that we certainly welcome the opportunity to update the committee this morning on the work that we have done in response to

the recommendation and give some indication of the work that we have yet planned in terms of responding to those recommendations.

In terms of addressing the committee this morning, you've received handouts. They're in two parts. The first is a very quick overview of the organization, which Jean McLeod will be doing, and then a more detailed status report and the recommendations we have for the committee. Ken Bauman will be leading us through that.

**Ms Jean McLeod:** As Michele said, I'm going to give you a quick overview of the Ontario Realty Corp and then focus on a summary of the recommendations from the Provincial Auditor's report. Then before we go into the details, we'll review with you whether you want to go through them in some detail or if you'd just like the highlights and ask questions.

I'd like to reiterate what Michele said. I'd like to say that on the whole we agree with the findings and recommendations of the audit and we're working to address the issues to ensure the most cost-effective management of government accommodation.

Just to give you a sense, the mandate of the Ontario Realty Corp is to manage and optimize the government's real estate assets. We have four main areas within the organization: strategic and portfolio management; property management, which is the focus of this particular audit; property development; and real estate services. We provide those services to all of the provincial ministries and some of the agencies, boards and commissions.

Our accountability framework and authorizing documents are through the Capital Investment Plan Act, the Management Board and the Ministry of Government Services Act. Our agency scheduling right now is a schedule 4. Government directives: We have a memorandum of understanding with the minister and our own delegation of authorities within the corporation.

In terms of the size of the accommodation portfolio we manage, it's about 46 million square feet right now. You'll notice from the audit report that the leased portfolio is down from \$11 million to about \$9.5 million, which represents the reductions we've been doing in rationalizing the portfolio and reducing costs. You'll see the majority of the leased space is in office use and another chunk in judicial as well.

In terms of the owned space that the government has, the 36.5 million square feet, you'll see that the office space, by contrast, makes up only 29% and that a great deal of the other properties that are managed are for other government uses, institutions, such as the psychiatric hospitals, the correctional facilities, the courts and a great variety of buildings and properties throughout the province.



The audit that was conducted last year recognized a number of challenges at the same time that were facing the ORC. We had an inventory of aging government buildings, we had staff downsizing and we had budget reductions that we were managing. Just as a point of note, our staff in the property management division has decreased over the last couple of years by about 300, or 20%. At the same time, we're managing financial reductions of about \$100 million, or 25%, over that same time period.

At the same time, our workload is challenging. As ministries are restructuring, it has a definite impact on the real estate and it has a definite impact on how we work with them to rationalize their use of that real estate. We've been moving towards a smaller and more businesslike organization, so our business practices are changing and we are restructuring within the organization. Also there was a recognition that there was a need to improve our management information systems, as well as a need to ensure the optimal use of space, as in the general observations of the audit, which we quite agree with.

At the same time as the audit was being undertaken, there were also a number of reviews of the Ontario Realty Corp going on. With the significant funding restraints, we were looking at doing some business changes in reducing the portfolio by starting to charge clients for the use of the accommodation they occupy and also a program, which we call the accommodation program review, that is looking specifically at consolidation, colocations and movement out of leased spaces in order to use that accommodation much better and to reduce the cost of it.

During the audit period there was also a review of the ORC's role and mandate directed (1) by the minister and (2) through the Ontario Financial Review Commission, as Mr Peters would be well aware, and the government task force on agencies, boards and commissions. These reviews all confirmed a number of best practices that are consistent with the Provincial Auditor's observations and work that was already under way within the Ontario Realty Corp to help ensure a cost-effective real estate management and set ORC on its restructuring course.

Again consistent with the audit report, the users of space must be fully accountable for their own occupancy costs. The initiatives are required to minimize costs and reward users for greater space use efficiency. The information systems in all of that are crucial to measure the actual capital and operating costs by location and to monitor the physical condition of properties, including maintenance needs.

The costs and operating statistics must be monitored against benchmark standards reflecting industry norms, and outsourcing can be a powerful tool provided a system is in place to monitor actual performance against standards and expectations.

In June 1996 the government approved the new mandate and future directions of the corporation. In the future the ORC is seen as remaining publicly owned as an agency but working more closely under the direction of the board of directors for its operations and performance, and looking through a business case process at where the direct delivery of the services that we currently

provide can be done more cost-effectively and with better returns in terms of information systems and that through the use of private sector partners. We're on schedule in the restructuring of the business practices and in developing the outsourcing proposals.

What I'd like to do now is finish that off in terms of the overview. I'm going to turn to the other handout we had handed out to go through the specific actions and progress against the audit in the areas of preventive maintenance, management information systems, implementing chargeback — which is the system for charging the users for the space they occupy — measuring and reporting on performance, and the acquisition of contract services.

You've got the piece of paper in front of you. I'll turn to the Chair to see if you want to go through it in some detail or if we can just go through and do some highlights.

**The Chair:** What's the wish of the committee?

**Ms McLeod:** We could go through and highlight under each.

**The Chair:** It's up to the committee. Any suggestions?

**Mr Derwyn Shea (High Park-Swansea):** Do the highlights.

**Ms McLeod:** Okay. I'm going to turn it over to Ken Bauman and he's going to go through the recommendations and highlights.

1050

**Mr Ken Bauman:** Good morning. Going to the first page, speaking of preventive maintenance and the concern expressed in the audit about the long-term impact of reduced funding on the repair and operation of our facilities, in summary, our approach is to have a strategic approach to rationalizing a very large and diverse portfolio. The aim is to identify those buildings that are core to government use, to government programs, and to basically get out of those buildings we no longer need, to dispose of those buildings and to reduce our costs.

That is the basis on which we identify our repair program each year so that we're putting our repair dollars — and the priority with repair dollars is health and safety projects in buildings and projects that will reduce costs, such as improved lighting, improved systems that will reduce energy costs and so on. The actions on the right-hand side of the sheet speak to some specific things that we have been doing since the audit report that build on those observations.

On the second one, management information systems and the need for an integrated system, what we have been doing is building on our existing systems. Our work to date now allows us to very clearly identify the costs to each specific building, and that becomes very critical for us to assess performance of buildings. That goes back into our assessment of buildings, of what we should be investing in the long term for specific buildings.

This past year, and I'll speak to it briefly in a moment, we've implemented a chargeback system to ministries for the use of space and we've integrated the collection of rents. The system for collecting that money has been integrated into our existing space analysis system and our existing lease information system.

Jean mentioned that as we move into the new organization we are very much in the early stage of designing a comprehensive and integrated information system.



The second point on the second page is the property information management systems, the PIMS. That is our main source of information on all those properties, on that 46 million square feet. We've been doing a lot of work because of our process of charging for accommodation. We've been doing a lot of verification. We have a very high comfort level with the reliability of the data on the first-phase group of buildings that we have instituted chargeback on, and that means all our office type of properties. We have just begun the process to bring the rest of the buildings into chargeback next April, so this year we will be going through a real due diligence on all of our information.

One of the concerns the audit had was that the people who have the information and need the information are responsible for putting it into the system. We have clarified that very much throughout PMD, throughout the organization.

The third page speaks to the accommodation chargeback system and the issue of ministries receiving the funding and being responsible for the space they occupy. The accommodation program review was brought in last year to try to consolidate and move excess space out of our portfolio prior to instituting phase 1 of chargeback, and it's been very successful. We set up an incentive fund that ministries could access. It had to be done on a business case basis with three-year savings. Through that process we have been able to achieve a \$25-million reduction in our lease budget and we've been able to remove 1.5 million square feet from the portfolio.

In line with this, we've instituted new space standards. For example, we used to have seven typical office layouts. We've reduced those to four. We've reduced the amount of space that would be made available to a particular kind of operation. For instance, an enclosed office has a maximum size now of 200 square feet.

In addition, we instituted a very rigorous reuse of furniture. There is a freeze on furniture and we have a way of collecting furniture from one location as a ministry downsizes. We keep that and make it available to other uses. We've been able to achieve some major savings in that area.

One of the important points around charging for accommodation is that the ORC used to pay for all accommodation. With the chargeback system, we have given those resources to the ministry. They are now responsible for paying for their space, so they are going to look more critically at the space they use.

In giving that money over to the ministries, we gave 20% less than they needed, which has put a significant pressure on ministries to look even harder at the space they occupy. We've developed some incentives for this one-year period, what we're calling a transition period, to help ministries look for opportunities to downsize their space.

The page on measuring and reporting on performance: In the ORC's corporate plan last year we developed a number of performance measures throughout the organization. Specifically, in property management, we are measuring and reporting to our board of directors on how much owned and leased space we are reducing; we are measuring the cost of operating our buildings on a

square-foot basis; we're looking at the amount of space occupied per employee; and there are a number of other critical measures we're working and incorporating into this year's corporate plan.

We are also paying attention very much to the industry. We're involved in a number of benchmarking activities with BOMA, which is a building operators' group that looks at what happens generally in the industry, and we're also involved in comparing our standards and what we're achieving with other governments.

The final page speaks to our projects. In our buildings we undertake approximately 1,200 to 1,300 construction projects, some small, some fairly significant. One that has just started, you may have noticed, is on the west side of the Whitney Block; it's one of our more significant ones. In a typical year we have about 1,200 projects, and that represents about \$45 million. The audits spoke to a number of projects, a concern about change orders, increases to the project after it was awarded and the reason for them. We have put in place and discussed with the auditor procedures to make sure they are documented and appropriately approved.

One of the difficulties in our type of buildings, given the age and condition of our buildings, is that we will never be able to get away totally from change orders, just because of the nature of a Macdonald Block or a Whitney Block or other institutions that were built at the turn of the century and so on. You simply don't know sometimes what you're going to get into behind a wall. We try to anticipate that as much as we can and keep our change orders to a minimum.

That is a brief overview of what we've been doing on those specific recommendations.

**The Chair:** Thank you. I'll give every caucus 10 minutes; we'll start with the opposition side.

**Mr Richard Patten (Ottawa Centre):** Good morning. I can empathize with all the changes you've had to deal with over the years, believe me. I see here you have a mandate, but does your corporation have a mission statement?

**Ms McLeod:** Yes, it does. We've been working through our corporate planning process for a number of years now. The mandate and the mission are very comparable in terms of optimizing the use of government real estate and ensuring that the capital value of that real estate is recognized in the decisions that the government and ministries make in order to deliver the programs with the most cost-effective real estate options behind them.

The specific mission is to deliver value services to all our stakeholders and to ensure the optimal use of government land, buildings and leasehold interests, which is supportive of the mandate.

1100

**Mr Patten:** It's the nature of the auditor's questions that they're about dollars and cents and square footage and things of that nature, but I'll be clear: My own bias is that the whole area of public works and purchasing and real estate management, in my opinion, can play a major role in contributing to the development of Ontario, and especially those areas that can use a shot in the arm, like northern Ontario and eastern Ontario and places of that nature.



I find the tack of analysis here frankly quite sterile. Not unimportant, important, but drastically limited. That's why I asked you the question about the mission statement. I empathize with those of you who see how you can use real estate development as a way to help contribute to the economy and the social fabric of a northern town or city, whatever it is.

Now the concentration is so much on dollars and cents that I think we've lost our sense of mission. When I say "we," I say the government, perhaps. I don't know what their view is, but I know there used to be somewhat that kind of view in government services. You were able to use property and land as a contribution to the social and economic fabric of people. I wonder if you might comment on that, whether there's any feel for that.

**Ms Noble:** In responding, the ORC works within the mandate the government approves. There's that context that has to be taken into account.

Having said that, however, one of the principles which is clearly there is to make sure that things are being done in a most cost-effective way. I think there is recognition of the role that ORC and the government play within communities. One of the things that ORC has been doing and continues to do is attempt to work with communities as changes are being made within the ORC portfolio within those communities.

Questions that may speak to decisions of the government per se, in terms of whether the government wishes to do as previous governments have done, choosing to locate services or elements of that nature, that really is not so much ORC's decision-making as the government making the decision as to how it wishes to locate its business. That's perhaps the best way to respond to the issue on the table.

**Mr Patten:** Sure, I understand that. Is there somewhat of a movement — I've been told this, but I don't have any hard figures — of the northern relocation program? Some people are kind of drifting back to Toronto again. I understand the mining office that was moved to Sudbury has now been moved back down to Toronto. Is that correct? Not the whole thing, just part of it.

**Ms McLeod:** Offhand, I don't know if that particular office moved. Definitely, across the province ministries are downsizing and restructuring their service delivery, but in each of the significant geographic areas of the province there is also a concerted effort in terms of how those services are coordinated and linked throughout those geographic areas, not just one ministry but all the ministries, and there's a lot of work going on around that. There is downsizing, but I don't think there's any conscious effort of recentralizing in any of the ministries that have actually moved out.

**Mr Patten:** Is the reduction of space distributed proportionately? For example, I'm aware that a number of staff that went to North Bay, all of a sudden now, I'm seeing senior managers coming back to Toronto and there's a lot of space up there. What was the figure, a 30% or 20% reduction in space?

**The Chair:** It was 20%.

**Mr Patten:** The target was 20%, which would relate of course to the downsizing of staff; I understand that. But that space that's being dropped, is that proportionate throughout the province?

**Ms Noble:** The idea of where the space will be reduced is really to follow the decisions of ministries as to how they are going to change their business and how they're going to be functioning. In other words, this is not a case of ORC predetermining where some of those things would take place. Rather, ministries are determining how they're going to be making their changes and then ORC proactively manages that in a way that will result in savings.

The savings in space, as has been mentioned, are a combination of things: making sure that we don't end up in an ineffective use of space through lack of consolidation and those elements, and also making sure that we're also applying appropriate standards in terms of people's occupancy. There are multiple elements, but in terms of what's driving what, the management of accommodation is being driven by the business decisions.

The only qualifier is that we are working fairly intensively with ministries, and this is particularly around some of the leasing programs, to ensure that ministries are being very proactive and have a financial incentive to be proactive. In breaking down the, "We're not sure we want to move right now," we're saying, "There's a business case and we need to consolidate." That's having an impact within communities; in other words, where we're combining people into space we own and giving up leased space in that community. That impact is occurring, and that's being done for cost-effectiveness reasons.

**Mr Patten:** Could you clarify, please? There was a recommendation by the auditor to "ensure that the chargeback system has adequate incentives" etc. I don't have much time to ask the question. You agreed with that, but then your last comment was, "It should also be noted that ministries will not receive full funding for rental charges, as the funds allocated to them will include a share of the total constraint on space costs." You're asked to charge the adequate amount of money, but then here you're saying they won't be receiving the full funding in their portfolios. What does that mean? How can you manage that?

**Ms McLeod:** I think the observation and the recommendation from the audit was that ministries should be downsized and they should only be looked at in terms of the amount of space they need versus the amount of space they currently occupy. Our response and the initiative we've taken, as Ken talked about, is that we implemented charging for accommodation this past April 1, but before we did that we had already done a lot of rationalizing. We're only part of the way there. We took as much out as possible, a million and a half square feet, over the past year, but there's still more to do.

What we've done is allocated the funding out to the ministries, but they will actually be charged more than what they've been allocated, and that is a bit of an incentive, or a great incentive, for them to continue their downsizing. We've also put some incentives in place, as Ken mentioned, to help them in that, so that they indeed have the money to pay for the space they occupy, thus actually meeting the objectives the Provincial Auditor had recommended as well.

**Mr Patten:** In a kind of roundabout way, you're saying, "You've got less space because you're going to have less staff," isn't it?



**Ms Noble:** If I could just add one further comment to what Jean said, in doing it in this fashion, it is with plans in place. I can speak personally in terms of my own ministry. There is this differential in the amounts that have been assigned. On the other hand, there is a plan in place in which I will be reducing the space occupied by the staff at Management Board. By doing it in this particular fashion, it really provides the incentive for ministries to take action to make sure those plans are realized in a timely fashion, as opposed to not getting on with them quite as quickly. In cases where there's a differential, ORC is working with the ministries as to how they close that gap through actions they'll take.

**Mr Patten:** "Incentive" is a nice word, isn't it?

1110

**Ms Shelley Martel (Sudbury East):** Thank you for appearing here today. Let me start there, actually. Who made the decision that this would be the way it would work, that ministries would be given a certain amount of money less than what they actually had as a need in order to encourage them to reduce their space? Was ORC told to do that? Was the decision made by ORC? Where did that direction come from?

**Ms Noble:** There's an internal committee of representatives from various ministries working with ORC. The issues came forward. There were recommendations in terms of how the chargeback should be implemented. Those were actually approved by Management Board.

**Ms Martel:** Are there any exceptions to that rule? Was every single ministry given 20% less than they actually needed?

**Ms McLeod:** It depended on what progress they had specifically made from the previous year in terms of downsizing their accommodation costs, in working with us, as Michele said, on specific plans. The actual amounts of what progress they had made against the accommodation they had and the reductions they'd made to date would vary by ministry.

**Ms Martel:** All right. I guess the way I'm referring to "exception" is this: You've got ministries that deliver very different services across the province, right? For example, I would make the argument that for a ministry I know a little bit about, Northern Development and Mines, we may have had more government space but we also had offices in any number of northern communities where there was no other provincial or federal government office. That was an important role of that ministry; it still is an important role. Ag and Food, I would argue, is also in the same boat. It makes no sense to have the Ag and Food office in the Sault, as this government almost did until the local member went and said to them, "That's not going to help my farmers"; so now it's in Echo Bay.

What I'm getting at is how ministries deliver services and where they deliver are very different. I'm hearing you say that each was assigned a set amount. I didn't get any sense that there was any kind of look at where they're located, what service they deliver and whether or not assigning a set proportional amount to everyone made any sense. Do you see what I mean?

**Ms McLeod:** We very much did an analysis with each of the ministries around where their leasing costs were, where their own costs were. The first phase of charging

for accommodation is for the office space, so it's only 17 million of the 40-some-odd million square feet of space under phase 1, but it's the bulk of the direct costs in terms of office space. That's the first piece to go out, and we very much did work with those ministries, as Michele said, through consultation and developing plans with them, and an assessment of how they were able to meet those requirements over a period of time. Some can do it sooner than others. They're working through those plans. We're very much working, bringing ministries together and working together in terms of how they can look at their accommodation in terms of delivery of services and doing some co-location and consolidations, which helps to alleviate some of those problems or differentials between ministries.

**Ms Martel:** If we wanted to know what the space requirements were and how each ministry was meeting those targets, how would we get that information? The Minister of Northern Development and Mines announced a number of closures of resident geologist offices in a number of communities. I'd like to know if he has met his target now or if we can anticipate some other offices, maybe on the northern development side, now having to close in order for him to meet that target.

**Ms Noble:** We're certainly prepared to consider, in terms of the request for information, what you're — I guess why I'm hesitating in responding is because I had tried to indicate earlier that I don't believe it is the space targets that are driving the ministry decisions about their question of how they're going to be managing their program. So there would be instances of someone determining that there will be an office to service a particular part of the province. You may, as a result of some of the work we're doing, find that individual or that service being relocated to another community, but in order to maintain the same service delivery. That may come as a result of the need for consolidations.

But the actual meeting of a target is not driving the, "We're going to shut down the office and take the people out." What I was trying to say earlier is that it's the question of the program changes, where individual ministries may be deciding they are going to change the number of offices or change their network of services. That decision is being made by the ministries, and the impact on space is derivative from those, as distinct from driving.

In terms of separating it, there may be circumstances, and we've got a number of these, where within a community we're pulling together several different ministry offices into one location. I know that in certain communities that has caused concern. As I said, in those instances it's driven on a cost-effectiveness basis. In other cases, we may have two or three communities in proximity to one another and we may consolidate services from a number of ministries into one community, therefore affecting the other communities, but that is on the basis that the ministries have made the decision about what services are going to be there. We're simply dealing with the accommodation.

**Ms McLeod:** We very much try to avoid the accommodation driving those kind of program and service delivery decisions.



**Ms Martel:** Who then in the government is responsible for looking at the overall impact of the effect of the closures? I listened to you say very clearly that you are managing the business plans which would outline what's going to be closed and where. If it's not ORC, can you tell the committee if there is some kind of steering committee that's having a look at what the impact is? I've just seen any number of northern communities — and that's where I come from so that's what I'm talking about — that are suffering really excessive hits because one ministry after another is making decisions to close operations there and consolidate somewhere else.

You're seeing a move into the five major northern cities, and then out of the northern cities you've seen a move back to Toronto. Mr Patten is quite right about the move of MNDM; those folks are all making their way back here now, after what was a very successful relocation. If we're trying to sort out who is watching for the impacts in any number of communities, who is doing that, or is that a fair question to ask you?

**Ms Noble:** In general terms, that would be taking place through the government's process to examine the business plans of individual ministries and to look at it through that process. It's not through the space process.

**Ms Martel:** Early on, you talked about how you were working now to develop outsourcing proposals. It came in the first package, second-last page. I'm curious to know what kinds of things you're looking at with respect to that issue.

**Ms McLeod:** We're looking at all of the businesses and all of the direct delivery of services that the Ontario Realty Corp currently does on a comparative basis as to what the most cost-effective way of delivering them is. For example, the direct delivery of the property management services is probably the largest one.

**Ms Martel:** Can you give me some other examples?

**Ms McLeod:** Much of the work that we do right now is actually already contracted out. Certainly in our large projects, the major capital construction, probably over 95% of what we do to design and build, architectural/construction types of projects, is already contracted out, so that is a bit of a model around what we're looking at. But the majority is in the property management area, in terms of the delivery of asset management and property/building maintenance, that type of thing.

**Ms Martel:** I also wanted to ask a question from the second package, page 1, where you've stated clearly that you're identifying buildings now that are "core" to government use. I wonder if you can give me some sense of what "core" means, because the government has any number of office needs and service delivery needs which go from direct office space to courts, jails etc. Who determines what is core and how is that being worked on?

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**Ms McLeod:** Core in terms of how useful the building is, what its economic life is and the need for it in terms of use, but primarily more a building condition type of thing. For example, the northern Ontario relocation buildings would be core and they would be buildings that we would want to try and keep tenants and ministries in and would try to look at collapsing leases into those types of buildings.

**Mr John Hastings (Etobicoke-Rexdale):** Thank you very much for coming in today. I'm curious as to why in your business plan you stress the aggressive upgrades of getting rid of excess lands but you do not do the same with buildings. I don't see the phrase attached in that part of the business plan. That's my first point.

The second point is, if you are trying to add value to the use of the existing portfolio of assets, what is your planning for the underground garage over in the government buildings? It's closed on holidays and weekends. To me, that's a huge amount of space that we ought to be getting some value out of some way or other in terms of parking. There's a huge demand in downtown Toronto here, especially during events and conventions, for additional parking. I'm just wondering what your plans are in terms of making greater use of that asset.

My third point deals with the Ministry of Ag and Food at Guelph. I think it's about 200,000 square feet plus, but from when I was there about two months ago, only about 60% or less is utilized. What are your plans for getting that extra space filled up, either private sector, non-profit or some other ministry going there, or the university or the community college in Kitchener? I don't know what the configuration of uses might be.

**Ms McLeod:** I'll answer the first question in terms of sales. We are definitely targeting the surplus land the government has in land banks and around accelerated asset sales, but as Ken went through, we're absolutely rationalizing the portfolio and we're also actively marketing buildings that are no longer needed, as well as land. The two go hand in hand and they're both active in terms of our marketing program.

Ken can perhaps talk to the parking issue, as well as what we're doing in Guelph.

**Mr Bauman:** By the way, a nearby example of a building that we've sold recently would be 801 Bay.

With regard to the parking, we very much would like to increase revenues and make that particular parking available on weekends. We've been approached over the years from people at the Gardens and so on. The difficulty at the moment is the security within the complex. We've instituted a number of changes in internal security, in terms of special alarm systems and so on, but once you get into the underground garage you basically have access to the whole complex. We've been working with the OGPS, the protective service, to try and identify how we can do that.

We have surface parking that we have tried to make available. We have been able to increase revenues in our parking garage next to the coroner's building, 25 Grosvenor, because there it doesn't represent a security issue for us.

**Mr Hastings:** Surely the security issue can be accommodated, though, adjusted in some way that it could be dealt with so that the public doesn't enter —

**Mr Bauman:** Yes, and right now that is part of the challenge, given the way our complex —

**Mr Hastings:** Could you say a year from today on the weekends it would be rented, or two years from today? Do you see any prospect of something happening there in the next two years?



**Mr Bauman:** Yes, a prospect, but I'm reluctant to give you a date.

With regard to Guelph, it's interesting that Guelph, like the St Catharines building and the Peterborough buildings, was designed as a single-purpose ministry building, and as changes occurred the ministry's size, as it was originally planned, didn't turn out to completely fill the building. In all of those buildings, including the Guelph building, we have other, non-OMAFRA offices coming in there, the preference being given to government facilities — the registry office. Particularly, we were talking to Ag and Food about agencies that have a relationship with that ministry so that it makes good sense that way.

We're looking at the main floor of that building, perhaps having other government uses there. There's a common counter; people can come and do a number of transactions with the government. It's becoming more of a government multiminsty building, and similarly in Peterborough and St Catharines.

**The Chair:** Mr Shea.

**Mr Shea:** I'll defer to Mr Grimmitt.

**Mr Bill Grimmitt (Muskoka-Georgian Bay):** I'd like to focus on the last recommendation that's noted on page 5 of your report today. I just want to say that before I came here I had an opportunity to work with a lot of contractors, and the one thing contractors have always told me is that the most pleasant thing they like to hear from a customer is if the customer wants to change the contract, because that goes off like a money machine in their ears.

I'm a little disappointed that you haven't responded specifically to the recommendation that "all change orders exceeding a specified percentage of the original contract... should be formally approved by senior management." Can you respond specifically to that recommendation?

**Mr Bauman:** That very much is the case; that is instituted. Projects that have over 10% must be approved by senior management with documentation, with reasons for this.

**Ms McLeod:** We monitor this quite closely. We give a regular quarterly report back to our board of directors and they're very interested in changes to project costs as well. We have a regular monitoring process and we have tightened that up as a result of the audit, which was useful to point out some things to us. We have tightened it up much more. We don't like to do change orders and we try to discourage our clients. If there's a reason for their making changes while the work is under way, we try to discourage that as well, to point out what the additional costs would be.

But then there are those other issues Ken pointed out. In old buildings where you're doing changes you try to anticipate and scope out the project as much as possible, but you can run into things that you weren't aware of that cause a need for a change order to it, as opposed to a client-driven changing of mind around how they want something laid out.

**The Chair:** Mr Shea, there are still three minutes left.

**Mr Shea:** I'll defer. We'll rotate.

**The Chair:** We'll take another five-minute round, starting with the third party.

**Ms Martel:** You mentioned that last June the government approved a new mandate and that your restructuring is on schedule for implementation in the spring of 1998. Can you describe to the committee what the nature of the restructuring is within the branch and what remains to be done?

**Ms McLeod:** As I mentioned earlier, the government gave direction to the ORC. Out of the number of reviews that were undertaken, including the financial review commission and the review of the agencies, boards and commissions, we are looking at the Ontario Realty Corp very much having a stronger strategic focus on the real estate, being very much focused on the client strategy side of helping ministries work through their accommodation needs and their real estate needs as they go through their restructuring, and very much looking at ensuring that the real estate was used best.

We're looking at restructuring the corporation to focus on those strategic elements, to very much focus on the information and benchmarking of the portfolio and performance against the portfolio, looking at putting more emphasis in that area and at the same time going through a business case review of the direct delivery of services and who should best provide those services. We're going through that process as well and we expect all of those pieces to come together next year.

We're also looking at legislative changes that may be required to move us from perhaps a schedule 4 agency to one that's under the leadership and direction of the board of directors in terms of operation. We're looking at a change in the scheduling and legislative changes through the Capital Investment Plan Act as well.

1130

**Ms Martel:** When you were going through your presentation, you told the committee about you own downsizing in terms of employees and your budget reduction. Can you just give that to me again, please? I didn't catch it.

**Ms McLeod:** In the last couple of years staff have been reduced by about 300. From about 1,100 or so a number of years ago, we're between 700 and 800 at the moment. In terms of budget, we're working towards a little over \$100 million in reductions, which is about a 25% cut.

**Ms Martel:** Do you have any other targets that you know about right now that you're going to have to meet? When you talk about the restructuring, those changes have already been made and you've met the \$100-million target.

**Ms McLeod:** Reductions very much are focused on reducing the portfolio, reducing the cost of the real estate by reducing the amount of real estate that is needed, because there isn't as much needed now, and looking at disposing of assets that are no longer needed.

**Ms Martel:** You mentioned earlier as well that there was going to be an enhanced monitoring system.

**Ms McLeod:** We definitely recognized information technology and information as being absolutely key, as did the auditor's report. We've been focusing on improving our existing systems, as Ken mentioned, in terms of the information, but we also see that as being fundamental to our restructured organization and the information



systems that go along with that. We're in the process, as Ken mentioned, of developing that strategy and looking to implement that early next year as well.

**Ms Martel:** Do you have any idea of what your capital costs will be for that, or is it too soon?

**Ms McLeod:** We're just in the development stages of that.

**Ms Martel:** The management division is still in six regions. Has that changed at all?

**Mr Bauman:** Yes, we still have —

**Ms Martel:** You still operate through six. Do you see any change in that?

**Ms McLeod:** If you're managing real estate, it's good to be near where it is geographically, so we anticipate we will still have a regional presence under an outsourced environment, yes, and that ORC would still have a regional presence.

**Mr Hastings:** I guess my other concern about the aggressive disposal of our land assets deals with the Ataratiri project near the Don. That thing originally cost the taxpayers something like — correct me if I'm wrong — \$280 million to \$300 million in acquisition.

**Ms McLeod:** The higher end.

**Mr Hastings:** And we unloaded it for something like \$5 million to \$15 million.

**Ms McLeod:** It's currently in a marketing phase.

**Mr Hastings:** You haven't sold any of it off?

**Ms McLeod:** We haven't sold it, no.

**Mr Hastings:** Is that primarily because of the toxic real estate in most parts of it?

**Ms McLeod:** There is an environmental issue in terms of cleanup, and therefore it has an impact on the use and the economic viability of someone taking it on, yes.

**Mr Hastings:** You folks deal only with the line ministries. Do you see an opportunity as a realty consultant in terms of the ABCs or are they completely independent and don't even have to deal with you in the disposal of assets? Take for example, the WCB hospital up in Downsview. Would they be clearly in line to deal with it however they want and wouldn't even have to say, "Could you give us some advice on this"? If so, could you charge back the advice? I guess that would be the first question, and do you see any real opportunities in the mix of unloading some of the existing property in the portfolio through the Who Does What exercise once it's completed?

**Ms McLeod:** In terms of the agencies, boards and commissions, we provide direct real estate advice for the schedule 1 advisory agencies, and we currently perform an advisory role through the ministries that we service for their agencies, or if the government asks us to give them specific advice on the other agencies we don't currently have under our mandate. It often happens that we're asked to provide advice and support in those areas.

In terms of Who Does What, we anticipate there will be a real estate impact. We're currently working with those ministries as they restructure their programs to anticipate, if there are staff changes or office changes that go along with that, if leases can be assumed by municipalities and vice versa, or if it makes sense, depending on the magnitude within a particular area, to negotiate a whole property at the municipal level.

**Mr Hastings:** Is there a chargeback for your advice for these agencies?

**Ms McLeod:** It depends. We've also provided some advice to transfer payment groups of various ministries, for instance, the Ministry of Community and Social Services. They have a number of transfer payment groups spread across the province that are very small, for instance, the March of Dimes, that are located in pockets all over the place. They don't have leasing expertise. We've provided that to them and helped them save quite a bit of money by helping them negotiate or renegotiate their leases, work with them. We have provided that and we've tended to do that on a pro bono basis.

**Mrs Brenda Elliott (Guelph):** I just wanted to indicate that I'm encouraged by some of the changes I see you're beginning to implement here. When I was reading through the notes from the auditor's report, these change orders, for instance, really did jump out at me; for instance, the second one that's noted here. The original contract was ordered to lower drinking fountains and phones. This is for handicapped access. Then the change order related to installation of doors and washrooms was subsequently added. When I read through the notes, it struck me that the two things that handicapped people seem to need most are access to a building and washroom facilities, and I was struck that suddenly the cost had doubled to add what I would have thought would have been two of the key things that were needed in the first place in the original planning. Anyway, it looks like you're undertaking a number of the changes to address those kinds of things.

Mr Hastings mentioned the OMAFRA building in Guelph. That's in my riding. I would just like to note that while we're very appreciative of having OMAFRA in Guelph, and I think that in the long-term planning of OMAFRA's place in rural affairs in Ontario, it's the perfect setting, and we're very pleased to have it, most citizens in Guelph drive by and are quite struck by the overbuilt size of the building. I wish you every success in finding and consolidating a number of services and attracting rural businesses and associations that can fit into that so it becomes the centre. I think we'll actually benefit, certainly our riding, and the ministry in the long term.

The one thing that I don't think anybody in our riding is very comfortable with — and perhaps, Chair, this may or may not be appropriate; I seek your advice on this — the one thing that I don't know anyone been very comfortable with is the size and the extravagance, and I use that word deliberately, of the day care centre that's on the corner, for instance.

For those of you who don't know, it ended up being two very modest frame buildings on the corner of the property that were completely redone. I've never seen the figures. I'd be interested in knowing what the figures are, what the change order history might have been for that particular project. The landscaping is extraordinary, a very nice entrance to the building, and certainly very lovely for Guelph on the corner, but I have to say I live very near there and there's not a day I drive by that corner that I can't help but think this was extravagance at the expense of the taxpayer. I think every citizen in Guelph I know has shared that feeling.



It's quite lovely, but just to close, personally I would be very interested in knowing what the history of that particular part of the OMAFRA project would be. We've been spending most of our time talking about downsizing, consolidation, planning and focusing our resources. I would assume there are no new building projects under way in any of the ministries that the ORC would be looking after.

1140

**The Chair:** Can you provide Mrs Elliott with some figures on the day care?

**Ms McLeod:** Yes, we can. We'll have to get the specifics, but it was part of the larger project, and I believe those buildings are of historical significance, so there was a designation on them as well that we had to work around. But we will definitely get you that.

**Mrs Elliott:** That would be amazing.

**Ms McLeod:** I've seen them too. I saw them beforehand. We'll definitely get you that information. The second question?

**Mrs Elliott:** Any new projects under way? I'm assuming not.

**Ms McLeod:** We're certainly not doing any new office construction right now, but we are project-managing some courts construction in Hamilton, Windsor, Cornwall and Brampton at the moment. We're also working with corrections on their infrastructure strategy for the corrections projects. Those are the primary new construction type of projects that are under way.

**Mr Jean-Marc Lalonde (Prescott and Russell):** With the downsizing that occurred in the last year in different ministries, we were left with surplus buildings or space, especially in small communities; the Ministry of Agriculture, for example. I believe that in most of the cases you had a long-term lease with the landlord. What happened with those buildings that were left vacant with this downsizing?

**Mr Bauman:** What happens when a ministry moves out of a lease through its consolidation and downsizing? The first thing we attempt to do is see if another ministry in the community can use that space. If there is no government use for it, then we will try to sublet the space or negotiate a buyout from the landlord. That's typically what we do.

**Ms McLeod:** We tend to focus initially on those leases that are expiring, but there are of course instances where the government no longer has that particular program and may be in a long-term lease. That's when we go to looking at other ministries that can move into that long-term lease, sublet or a lease buyout.

**Mr Lalonde:** As you know, it did create quite a financial impact in some of the small communities. When you say "sublet," sublet at a reduced cost per square foot or at the same price as you were paying?

**Ms McLeod:** What the market will bear. What we can negotiate at a market rate.

**The Chair:** How successful have you been in renegotiating?

**Mr Bauman:** We've had very few sublets. We've tended to negotiate buyouts. One of the difficulties with subletting which has a bit of a twist on it as well is if we sublet it to the private sector. We did in one community

and we were then criticized by the community for subsidizing one company over another. Because it's the government renting that space, it takes on a very significant profile in the community, so we've had very few where we have actually subletted to the private sector. Generally we find another ministry to go into it or we buy out the lease.

**Mr Lalonde:** Before you sublet, you would see if there is other empty office space for rent in the area before you reduce the cost?

**Mr Bauman:** Absolutely.

**Mr Lalonde:** Whatever happened, for example, to the building that was built in Niagara Falls for the tourism ministry?

**Ms McLeod:** The building was completed and recently it's over 95% tenanted with companies from the private sector. Now that we have the building filled, we are looking at marketing it.

**Mr Lalonde:** At the market value?

**Ms McLeod:** Yes.

**The Chair:** So it's up for sale?

**Ms McLeod:** That's right.

**The Chair:** Members of the government, we still have more time.

**Mr Shea:** I just want to put on the record that Mr Patten's thesis caught my attention, and it was endorsed in part by comments made by Ms Martel. I think her quote was "after a very successful relocation"; I question that. It struck me that the comments in terms of government involvement focus with crystal clarity on the profound differences of political philosophies between the two former governments and this one, particularly the degree of government intervention in the economy for social or economic purposes.

I am intrigued, for example, by the argument that if we can deconcentrate the government's functions and move them out into other communities, we will have tremendous economic spinoffs on behalf of that economy. I come back to the reason why I am asking you this question now, because I'm wondering if in your information you have yet done an impact study on the decentralization and if that impact study has shown the tremendous negative impact that policy has played upon the city of Toronto.

I know my colleagues would desperately want to see that information since on Bill 103 they spoke vociferously on behalf of the city and its vitality. I represent the city of Toronto, so clearly I have more than a passing interest in its economic and social health. I'm wondering if your studies have yet started to show the impact, or is that beyond your mandate?

**Ms Noble:** The answer to the question is that at this point I don't believe we have done work that would specifically be looking at the impact on those communities of the relocation programs that had been previously undertaken, so that comparison could be made. I think certainly — and I can't speak personally because I was not there at the time — there would have been work done at the time, but we've not done follow-up work.

**Mr Shea:** Can you present me with information on the studies that were done that show both what the economic advantages would be for the communities receiving the



relocated ministries and also the economic impact statements in terms of the negative impact upon the Toronto and GTA economy? Clearly no decision would have been made by a government to dislocate unless they had done a study of what the impact would have been.

**Ms Noble:** What I will undertake is to determine what studies are available that can be released.

**Mr Shea:** I'm happy with the first part. I'd like to see whatever there was there. If you cannot release the information, I'd like you to at least table with the committee what documents you have that cannot or will not be released.

**Ms Noble:** I will have to make that determination within the context of freedom of information etc.

**Mr Shea:** I would be stunned if freedom of information were involved in the scope of the question I've asked.

**Ms Noble:** Only in so far as some of that information may be contained in cabinet documents. That's the reason I'm placing the reservation on the record.

**Mr Shea:** I'm prepared to accept that with the very clear understanding that I'm looking for information that now demonstrates sensitivity on the part of governments committed to deconcentrating government services to the impact upon the municipality that is losing them. I have in the back of my mind some interesting experiences.

For example, I'm sure you're aware that cities reach certain points that are called economic takeoff points. I'm a little sensitive to a period in 1795 when Dublin was about to reach that point and then the English Parliament moved the Parliament over to London and destroyed the economy of Dublin for many years thereafter. Let me take a look at that in terms of a preface for the impact upon the city of Toronto and the GTA in terms of the dislocation and what has happened.

I understand the sensitivities of my colleagues in terms of the north and the west and the east, and I share that concern for a fair development of our net, but I don't want to see a sense that we're picking at the carrion of Toronto to the benefit of the rest of the province either.

**The Chair:** Thank you, Mr Shea. Any information passed on to any member of the committee, would you

please copy the Clerk so that we can all share the same information.

**Ms Noble:** Absolutely.

**Mr Patten:** Just a comment: As Mr Shea said, it does point out a different vision of how you use resources. What I often find is a xenophobic view, a Torontocentric view that I often find I have to fight. Coming from eastern Ontario, I often have to fight that everything is a Toronto vision of the world and the province rather than, "We're all here because we're members of the provincial Legislature." So the argument of sharing the infrastructure of government — Toronto has had the benefit of the massive, predominant element of the infrastructure, and some of the other areas have not. It's one of the tools that I believe can help stimulate other activity.

If you want to talk to people, I would suggest you speak to some people in Sault Ste Marie about the Lotto corporation. In this day of electronic communications and management, there's a very successful corporation that is managing out of Sault Ste Marie throughout the province, through all the stores that have their machines and all this kind of thing. It's quite an incredible story.

I'd be interested at some point if some of the ministries would suggest that kind of analysis be done about the impact and role of government and what it can mean in sharing infrastructure in other areas that have an economy based perhaps on tourism, logging and some mining to provide some other kinds of occupations, stimulate and diversify some smaller economies and play a tremendous role in their vitality. That would be a good debate some time. It would be a good one to have in the Legislature too.

**Mr Shea:** I'm for it. Let's set the date.

**Mr Patten:** But that's not their responsibility. It's too bad, because it used to be a ministry and now it carries out other policies, unfortunately.

**The Chair:** Being 12 of the clock, as the Speaker would say, I'd like to thank our witnesses.

Before we adjourn, I'd like to remind the members of the committee that our next meeting will be May 15 for the writing of our report. Is this understood? Very good.

*The committee adjourned at 1152.*





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First Session, 36th Parliament

## Assemblée législative de l'Ontario

Première session, 36<sup>e</sup> législature

# Official Report of Debates (Hansard)

Thursday 26 June 1997

# Journal des débats (Hansard)

Jeudi 26 juin 1997

Standing committee on  
public accounts

Comité permanent des  
comptes publics

Committee business

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## LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON  
PUBLIC ACCOUNTS

Thursday 26 June 1997

## ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

COMITÉ PERMANENT DES  
COMPTES PUBLICS

Jeudi 26 juin 1997

*The committee met at 1008 in room 228.*

## COMMITTEE BUSINESS

**The Chair (Mr Bernard Grandmaître):** Good morning. The first item to be dealt with this morning, item 2 of our agenda — we just completed our subcommittee — is the Canadian Council of Public Accounts Committees Conference. The third item on the agenda is the report writing and that will be in closed session.

We will now deal with this conference to be held September 14 to 16 of this year in Edmonton. I've been informed by the auditor that he doesn't attend this conference. The Chair or co-chair can attend this conference. You will recall that at our last meeting we wanted this discussion in an open session, so you have an opportunity this morning to be heard and to give us guidance as to how you feel about this conference.

I simply want to remind you that back in 1993 Ontario was the host of this gathering, and after all, we are Ontario; we are the largest and maybe the most important province in Canada. I just want to end on that note and leave it up to you, members of the committee.

**Mr Bill Grimmett (Muskoka-Georgian Bay):** My position was made clear previously, but just for the benefit of perhaps the colleague or two who didn't hear it — this is not a position that I have been asked to put forward as the whip, by the way. This is my own personal position that as pointed out by my colleague Mr Pouliot, there are cuts being made in government that have been very difficult, and we are trying to make our dollars go as far as they can. I don't see the benefit in sending people to a conference when the auditor is going. I believe the auditor has made it quite clear that he's attending the conference.

**Mr Erik Peters:** No, I attend the Conference of Legislative Auditors, which is simultaneously in the same location. In fact, there's one joint session between the CCPAC and COLA.

**Mr Grimmett:** I see it as a junket. I don't think it's something we should be spending the money on right now and I won't be voting in favour of sending any of the MPPs or any of the staff. The auditor goes to the conference; I can see some benefit in that. But I quite frankly don't see a lot of benefit when the membership on the committee is changing quite frequently. That's my own position, but my colleagues are free to state their own positions on it, as they always are.

**Mr Gilles Pouliot (Lake Nipigon):** You wish to save money. I understand that and I welcome that. And you most likely respect and love your parents. I don't meet too many people who don't wish to save money and get

value. We used to send the whole committee out. I say this regardless of party: When I came here, the Conservatives were the government. Then it changed, and now the Conservatives are back, but in between we all had a shot. Regardless of stripe, the system was streamlined. People started to ask more questions. Santa Claus stopped showing up every weekend. The yuppies went their way. Time passed. So we cut back.

We have to be consistent. If we're not to send people from the public accounts committee, like one per party — not 11 members on the committee. With respect to Mr Peters, our Provincial Auditor — he will be going, and that's okay, eh? Oh, I see. But the committee will not. Mr Peters, simply in terms of jurisdiction, will not represent Ontario. The conference is not structured that way. It's not a conference of provincial auditors. Sure, they have meetings and they do their own things. It is a conference of public accounts committees from across the country. PEI will be there. We hosted the conference three years ago.

At the same time, there will be a Canadian parliamentary association conference. Talk to me about junkets. The forum is different. I get that in Regina. There's a forum in Germany. Some people will gather in Luxembourg. The Speaker will be going to Westminster. Is he going or not? I understand he has the plane tickets. Mr and Mrs Harris will be busy representing the province — Mr and Mrs — travelling in the democratic class, I'm sure. That's okay. Bill, just between you and me — there's no one else here — are they not going?

This is the public accounts committee. It's an affront. If you don't go and the other one doesn't go, if nobody shows up, then you're a no-show. That's okay for people. It doesn't cost an arm and a leg. There's already been a lot of streamlining. Three people going, plus the Chair. That's one member each, and Erik. We used to have 11. We've been to Washington to do this and do that. We hosted the session three years ago. That was okay. Last year, under the same auspices, we went to Victoria.

If we're going to say no, I would like to see the consistency, and say why it is. For me, it's not good enough to say it's to save yet another dollar. You live in a world which is getting smaller, but at the same time you have to reciprocate. Is it okay for the Treasurer to go and see the bond-rating agency after the budget? You can't say, "It doesn't apply here; you're crazy." No, I'm not. To go to New York and spend three days there after his budget, for Mr Harris to go and join Team Canada — who pays for that? Ontario pays for that, of course. I don't begrudge them. I say, "You have to do these things."



I'm contrary, with respect, to Bill's view on whether we should go to Edmonton. I think our place is front row centre. We have a responsibility; we have 11 million people. We're the largest jurisdiction. You go on top of the CN Tower and you can see 50% of the industrial heartland of the country on a clear day. Give me a break; we must be there. I'm looking forward to going. I've already purchased my ticket and there's no refund.

**Mr Ted Chudleigh (Halton North):** I think Mr Pouliot struck on the right question, and that was "Why?" There obviously is a new reality. I used to run conventions in a previous life over a 15-year period, and the whole structure of conventions changed during that period of time.

One of the main reasons for going in the early years was the networking aspect that takes place at any convention. Through the difficult times of the early 1980s and again through the difficult times of the early 1990s, that structure changed entirely. The new reality kicked in as attendances dropped and there was a very serious question asked by those people who were footing the bill for the convention as to why people were going, what reward they got from that attendance, what value they brought home from that convention and what kind of attendance was there, who were the participants and how general was it. In answering those questions, the convention that my association put on restructured itself entirely and I think provided positive answers to those three questions about why they were attending this convention.

In that regard I would ask: What percentage of the provinces attend this convention? What do we as a province expect to bring home from this convention that will reward us for our attendance? What value for the dollars expended are we going to get? I guess that begs the question of how much it costs us to send someone to Edmonton, or a delegation. I would ask those questions and I would want answers before we make a decision as to who should go and why.

**The Chair:** Maybe we should ask Mr Pouliot and Mr Lalonde. I know Mr Pouliot has attended these conferences in the past and maybe he can give us the reason why this conference was attended by our province, by our government. Mr Pouliot, can you tell us why?

**Mr Pouliot:** Briefly. Let's set the table, the climate. I think it's important; the chemistry plays a role here. You immediately feel that you're there for the same reason. Except for the host province, everybody feels at home but everyone is from elsewhere. This is done. You meet people who do the same thing but in a bit of a different fashion. So there is a good synergy, a good group dynamic.

The sessions are interesting. We take part. We have to weigh the responsibility of the Provincial Auditor and that of an elected office. People come in with direct reasons why it works and to what extent by their own circumstances, and it's filled with nuances. You read between the lines. We participate; we're expected to participate. We voice our support and our concern on other people's positions. We ask questions. We come away enriched; we're a better committee on account of it.

I think it justifies the expense. It's not all that onerous. Let's keep in mind that it is within the country. Of

course, if you don't send anyone you will always save money, but quite a bit of that has been done.

As I said, we used to send 11 people — maybe it was a little much — and for a longer period, because we felt that we had to prepare ourselves physically and mentally for the task ahead. That's gone by the wayside. We read the book before we leave home.

I think it's completely justified. It's an affront — if Ontario doesn't show, what is it we're telling people, that it's no use? Having the Canadian Council of Public Accounts Committees Conference and the largest province doesn't show — heck, even Quebec shows at those things.

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**Mr Chudleigh:** How many other provinces are going to be there?

**Mr Pouliot:** They will all be there, including the sister province and neighbours both to the west and the east of us.

**Mr Jean-Marc Lalonde (Prescott and Russell):** I recognize what Mr Grimmitt just said when he said that we want to save money, but those people who sat back during the recession and didn't look ahead to the future are still in trouble today. I have had experience at major conferences too, like Habitat, World Bank, G-7, and let me tell you that at those conferences there are workshops that are really profitable for those people attending. I agree that if you refer to other conventions — I'm not afraid to say it — Good Roads, for example, is a real party.

When we look at this session coming up in Edmonton, I have to say that for us, the people sitting and taking part in this committee, we never had any training sessions. We never had anybody tell us what our task was going to be. I really feel at this time that if we are — not "if"; I know the three parties in this government are serious. If we are able to send one from each party to this conference, I think we will get benefit out of it, and this will help us to probably produce more at this committee afterwards. I just heard today that we might have the lowest budget in the whole of this country at the Provincial Auditor's office when we look at the budget side. But at those conferences, I'm pretty sure we'll come out of there with something that will benefit this committee in the future.

Mr Chair, I definitely would be in favour of having three members, at least a member of each party, attend this conference. We had the 1993 conference here in Ontario, and it's probably known that when the conference is local, the local group does not participate as much as the others. It's known all over. So my recommendation is one member from each party.

**The Chair:** For your information, Mr Chudleigh — I think you mentioned the cost of this conference — naturally it's the flight and two nights in the hotel. I don't really know what the final cost is per member, but those are the costs.

**Mr Chudleigh:** A couple thousand bucks.

**The Chair:** If you say 2,000 bucks — I really don't know. I can't give you a final figure, but this would be the cost.



I just want to add something. I know the Chair is not supposed to partake in the discussions, but I think once in a while I should be permitted to put in my nickel and you can turn me down or do whatever you feel like. I find these conferences very important. As a former minister, I have learned a great deal from other provinces, and I think Ontario is a model province. We're innovators in a lot of ways, but it doesn't mean that we can't learn.

Also, Ontario can be a very good teacher to other provinces, and I think it's a way to shine, to show off our great qualities and to brag about Ontario. I think we don't do it often enough. Ontario is not only recognized as the largest province, but it has so many qualities. I think we should be bragging about our qualities and it's a great opportunity to do it at those conferences.

Having said this, I would ask Mr Shea for his comments.

**Mr Derwyn Shea (High Park-Swansea):** I have some questions as well, and I don't know who to direct them to. As a relatively new member of this committee, I don't have a lengthy track record, so you have to forgive me and understand if I ask questions.

Let me first of all begin by saying I echo many of the sentiments that you have just laid before the committee. I am not one to suggest that conferences and workshops, whether they are local, provincial, national or even international, are without merit; quite the reverse. I think in many cases you're exposed to new ideas and there are some new thought processes that could be very helpful for us, and we may well be able to exchange a number of new thoughts that we have with other parties to the event.

That doesn't mean that you automatically assume each and every workshop or conference is either worth its due or is continuing to meet its due, and I think it's reasonable to subject every one to some scrutiny from time to time. I am perplexed with this one, I must confess, because I'm not an accountant; I'm just a simple Irish peasant trying to figure my way through life. I, from time to time, understand how to read a bottom line. I have had to be a budget chief from time to time, and so I know how to go through line by line with a scalpel, but I don't profess to have the expertise of the Provincial Auditor. My job is to listen to the Provincial Auditor and see if what he says makes common sense. I think that's the role of most of us who are in the political arena. There are those members of this committee who have business experience that far exceeds mine, and I defer to them and their expertise, and I applaud that. I wonder what value added they can take to a conference or bring back, but that raises the points that I want to ask in this instance.

I assume in the first instance that what we may be doing is asking for the permission of the assembly for each member who wants to travel to access their global funds. I know you can't access your global funds for any travel outside the province without permission, so I assume that's what we're doing so that each member may access their own personal accounts for that travel. That's one thing. But whether we do or not, it goes to the next step.

Let me ask two or three questions that for me get to the centre. First of all, I assume that every committee in

this Parliament has a national or even an international counterpart — I don't recall that — or is this the only one? Is this a unique committee that has that?

Can you answer for me, Chairman, if it is the tradition of those who attend this conference, wherever it's held, to table individually and/or collectively with this committee a report that indicates what they have done, what they have seen and the information they have exchanged, to justify the merits of that visit?

I suppose, picking up on Mr Pouliot's comments, because he has indicated that in the past there has been sufficient time provided before and perhaps even after the conference to reflect upon what may happen or what has happened, and I assume that they have found the appropriate settings for that reflection to be productive, that we would be able to bring forward some of the results of the reports to show what benefits have accrued to the taxpayers of this province.

Part of the concern I have is, what value added is to be gained from attending this committee? There is no question that the auditor should be there; that's not even on the table for me to consider. If the answers were fair, if members want to go and access their global budget to do so, I will very cheerfully support that. I regret that Mr Pouliot — I have to find a way to help Mr Pouliot, who has already bought his ticket and paid for it; it's non-refundable. That perplexes me, because first-class tickets are normally refundable. I would not expect Mr Pouliot to travel anything less than that, because I have great respect for his taste and his abilities.

1030

**Mr Pouliot:** I travel in the democratic class.

**Mr Shea:** If it is to ask permission for the global budget, I will gladly give that. If it is to be paid for elsewhere, if I go beyond the auditor, I might be persuaded that the Chairman ought to go, subject to a report being tabled with the committee so we have a chance to share in the benefits of the exchange at the conference and understand, what did we take to the conference, what did we bring back from the conference and of what value is it to the taxpayers of this province? I could be persuaded to do that.

To go beyond that — I'm not here to be mean-spirited. If there's an argument to be made why there should be more members there to represent the province of Ontario, I'd be open to hear the arguments.

That's where I'm coming from. I was a member of a group that at one time went to Australia for a very important conference. What happened was that some other people from the staff side suddenly joined in at the last minute. I can remember the banner headlines that rightfully blazoned in the newspapers about the number of people who were there and their question, why is it difficult for one member to write a report? That's always been etched firmly in my mind.

I'd be open to that kind of information and that exchange. I'm quite open to that. I return now, full cycle, to my beginning point. I have no hesitation to support meaningful conferences and workshops for not just one person but for many people to be involved in, because I also know from personal experience that they turn out to be very hard work. If you're doing your job well, and I



assume my colleagues would all do as I do, they're very hard work; they can be very productive. But I need to be persuaded that you need more than one person and that there is a value added for this committee and for the taxpayers of this province. That's what I need to see.

If I can be persuaded of that, on the one instance I am prepared to support anybody who wants to go through their global budget. Second, if we don't want to go that route, I am prepared to support the chairman to attend, subject to reports and so forth. I have no difficulty with that either.

**Interjection:** Is that a motion?

**Mr Shea:** I want to hear some answers to my questions first.

**The Chair:** Mr Shea, I think I can answer two of your questions. You were asking how this conference would be paid for. It would be paid for through the global budget.

**Mr Shea:** Of each member.

**The Chair:** No, no, of the committee, the global budget of this committee.

**Mr Shea:** I was referring to the global budget of each member.

**The Chair:** No, the global budget of this committee.

**Mr Shea:** We could ask the House for permission to do that.

**The Chair:** It's budgeted for, but we do need permission from the House; if we travel outside the province, it needs to be sanctioned by the House.

In terms of your second question, Mr Shea, I'm told that after every conference a transcript is distributed to every member of this committee, or any other committee, for that matter.

**Mr Shea:** I don't mean to interrupt, but what do you mean by a transcript? Do you mean a transcript of the proceedings?

**The Chair:** The proceedings. Just like Hansard, I've been told.

**Mr Shea:** But that would mean I could get a transcript without sending anybody.

**The Chair:** Yes.

**Mr Shea:** Do I have reports that have been tabled by those who have been there to interpret what they saw and what that means for Ontario, what it means for this committee?

**The Chair:** I cannot answer this question to your satisfaction because I've never attended one of these.

**Mr Shea:** Chairman, I'm not asking you, I'm not putting you on the spot for that either. I don't want you to misunderstand what I'm saying. Maybe the clerk can tell me. Do we have a history of the reports that have been tabled by members who have attended, with their interpretation of what has happened and what that means for this committee and for this province?

**Clerk of the Committee (Ms Donna Bryce):** I haven't seen any reports that an individual may have tabled. I know that in the past when this committee did an annual report, they would include a page on the conference. But it was about six years ago that the committee actually did an annual report. This would be the first year in six years that the committee is doing an annual report, and that would be the appropriate place for some sort of summary of the conference.

**Mr Shea:** There have been conferences in the last six years, haven't there?

**Clerk of the Committee:** Right, but the committee has not done an annual report in the last six years.

**Mr Shea:** So the taxpayers have not seen anything as a result of the last five conferences?

**Clerk of the Committee:** Other than the transcripts, no.

**Mr Richard Patten (Ottawa Centre):** I have a couple of questions. On the government side, I know you've talked to your House leader or your whip or whomever, and I am sure he or she has said, "You're not going," or "We don't want you to go."

**Mr Grimmett:** I've already made the point —

**Mr Patten:** You've made that point. Okay, so they don't want you to go; is that what they're saying? Or what's the answer?

**Mr Grimmett:** I made the point right at the outset that we've had no direction on this. We're all on our own.

**Mr Patten:** That's unusual, because I would think you usually would.

**Interjection:** We're democratic on this side.

**Mr Patten:** Yeah, right. A few members on your side don't say that.

**Mr Pouliot:** Mr Murdoch has an independent mind.

**Mr Patten:** There is money in the budget. The question is whether you think the optics of it are not good and you don't want to go, or you don't think it's supportable, or you don't think it's worthwhile.

When Ontario is host, we're very happy to be host and very diligent, but all of a sudden, when it's somewhere else, we have questions about it. It's always true. I find that somewhat distasteful, because it's not a sharing position.

There are lots of optics: be frugal etc. We don't have coffee any more in our lounges or the apple juice that we used to get free. We don't even have that any more. I find it strange that in committee, by the way, we have coffee, we have juice. Take it away. It's not legitimate, it's not compatible. We shouldn't have coffee here today or any of these kinds of things.

Perhaps it's the end of session and I'm losing my patience a bit, but we spend an inordinate amount of time on the smallest items. We sometimes talk about items worth almost \$100 million that go through this committee and they pass quickly. We talk about something that's a couple of thousand bucks and we spend half a day on it.

I must say, if we don't place any value on learning, sharing knowledge, receiving knowledge, if we don't have any respect for members who might want to attend and don't care to receive their views and wisdom when they return, let's not waste time.

I support it. I always do. When businesses send people for training — some companies spend up to 20% of their budget, by the way, especially in the high-tech field — taxpayers pay. In every single area, taxpayers pay. But somehow we have a view that if we do it, because ours is visible, is on top of whatever we do — and we do no training. In my opinion, we are the worst institution when it comes to training that I've ever seen, and I've worked as a trainer and as a consultant in that field.

What kind of training do ministers get when they go into the job? Absolutely zilch, nothing. What kind of training do we get? One and a half days of orientation. That's not training, that's orientation to the institution. We don't get training. We don't believe in it. That's why we're not as efficient or as effective as we could be. A lot of it is because we don't have a knowledge base and we're not prepared when we go in. We struggle away. You come to a committee: What the hell's the committee all about? You figure, "Oh, it's about such and such," and then maybe three months later you discover, "Oh, that is the mission of the committee."

I feel strongly that it is a legitimate investment in helping members to be more knowledgeable and to be better able to do their job when they attend committees etc.

1040

**Mr Bill Murdoch (Grey-Owen Sound):** As you know, I haven't been here too many times, but I can't believe I come in here today and hear us debate about sending people to a convention. That's where we should be sending people. If we stick our heads in the sand, we won't know what the hell's going on out there. We went through this debate when I was in municipal government. You'd get people saying, "We can't go to this one, we can't go to that one." If you sit back home in your municipality, you won't know what the hell's going on out there in the real world.

This is why you have committees, this is why you send people to these conventions. I can't believe we're even debating this issue. You have a global budget and you'll send them through that budget. How many you send maybe could be debated, but I think at least each party should be represented.

If you're worried about saving a bit of money for the taxpayers, cripes, we've done enough chintzing around with our budgets already. We don't get pins any more, we don't get scrolls. I think we've done enough. I can't believe this is what this committee is all about. If you haven't been doing any more than this, I'm glad I haven't been coming.

I just say that I'll support it. I think we should be sending members out to these things. You're right: If we're going to host in Ontario and nobody shows up, we're going to look pretty stupid, and they'll say, "Ontario never showed up to ours."

I don't know why we're even debating this. I've never been in a committee yet that debated this kind of stuff. I'm just saying, I'll support sending them. Let's get on and do some business.

**Mr Pouliot:** I just wish to know — these things inevitably happen. My understanding is that the government, rightly so, tabled a budget. It passed, rightly so. In the budget, once you go to estimates, once you go to line-by-line — there was some allocation made for the attendance. It's budgeted for, is it not, Mr Chairman?

**The Chair:** Yes, it is, in the global.

**Mr Pouliot:** In other words, when we look at the budget, it's an acquiescence. It flows that we are so much for this and so much for that, if we're to go line by line.

If not at the last minute, I welcome the conversation. We must always conduct due diligence on our own

affairs. I take it that it's nice for the gallery. I would have preferred for this conversation to be accompanied by Remy Martin later on in the day than having it this morning. It gets to be philosophical. But my understanding is that we're talking about a fait accompli, that the budget was passed, and in the budget, once you go line by line, there was an allocation made to attend the conference.

**The Chair:** I'd like to clarify something with you, Mr Pouliot, and the rest of the members of the committee. When we talk about a global budget, it is a global budget. In our budget we don't have an item that says "attending conference." It's from a global budget, but it is money that can be used for conferences. I just want to clarify this.

**Mr Shea:** Mr Patten's comments and Mr Murdoch's have certainly helped move my vote. I must say, I asked the question in a businesslike fashion. I have been through the waters and need no lectures from anyone about the values of conferences or workshops or anything else. I made that patently clear in my opening comments. There is considerable merit in any of these efforts if you can justify them.

But what concerns me in response to my questioning is that there has been no justification. Simply tabling a transcript with this committee I think is offensive. It is sloppy business and it makes no justification for anybody at all, particularly the taxpayers, who are paying for it.

I have men and women in my parish, let alone in my riding, who can't afford to take a holiday anywhere. This will not be assumed as a holiday, but let me tell you, some may well see it that way. Those are the optics. I'm not prepared to get into that level of the optics with that, because I'm not persuaded by that.

What I am more persuaded about than Mr Patten spoke to and didn't address is the fact that I have nothing before me, or a track record before this committee, to tell me what value added has been given from any of these workshops. What makes it worse is that the membership of this committee over the last five years has changed significantly year by year, as parties change their membership. I may send someone off very cheerfully to pick up information that could be of great assistance to this committee, but they're not here when they come back anyhow and there is no track record of what they learned at the committee.

All I'm suggesting is that if you're going to be involved in these events, there should be a protocol that tables with us some information of merit to this committee and allows us to develop some kind of corporate memory upon which we can build.

Mr Patten talks about business sending people for training. They do, and it's worth the money. I will put it to him that the employees stay in the corporation, usually, to work on what they have learned and to transmit what they have learned to the rest of the corporation. That's of great value and that's worth expending the money. But you, Chairman, have not been able to tell me that that has been done for the committee.

I'm simply raising a business case here. No one need get defensive about saying, "I want to do this trip, because look what I will learn." I'm not putting anybody



under a personal attack. I'm talking about a process which I think is flawed. All I said from the very beginning was that if some of you want to come back and justify it and will bring back reports and so forth, I could be persuaded to support it. But the response by Mr Patten and by my great colleague whom I admire deeply — I don't know who he is, because he's a stranger in most cases, but my good colleague Mr Murdoch is one I respect. If they think there's some merit, show me where the merit comes from. That's all. I want something to build upon.

**Mr Murdoch:** I think the merit is the way we run the province. I hear what you're saying. If you can go back to what I said about municipalities, that's what happened. You can bring back a report. I hear what you're saying, Derwyn, that you would appreciate somebody going. We can set up that process and I'm sure whoever goes is going to come back and report. You can't do much about it if they change the committee. That's the leaders' choice and sometimes that happens. That's like a casualty of the business, and you can't help that.

I hear you. You're right in what you're saying, that there should be some benefit in sending people to conferences. I go back to my municipal experience. There was benefit. What the councillors did or the reeve or me was that we would go back to council and use the wisdom we'd picked up at the convention and report it back and then use it in the daily business of running the township.

**Mr Shea:** But we haven't done that here.

**Mr Murdoch:** I don't know whether we haven't. I haven't sat on this committee before, and there may not be anybody sitting here who's been to one of those. Ben's probably the longest-sitting member here, or Gilles; they may have been. If they were at one of these conventions they'd use it now as you go through your meetings, and they would in the future, whoever went. You're right in what you're saying, so I think you have to let them go.

**The Chair:** This discussion could go on forever, so I'll listen to M. Lalonde and then M. Pouliot.

**Mr Lalonde:** I just want to clarify one point. When I referred a little while ago to the Good Roads convention, that it was a party —

**The Chair:** Good times.

**Mr Lalonde:** Well, I don't want the statement I made to be misinterpreted. They definitely have good workshops. It's after the regular agenda that they have the parties going.

**Mr Murdoch:** I never went to a Good Roads convention where I didn't learn something. I came home once with two graders for my township. That saved them a lot of money, let me tell you.

**Mr Pouliot:** Mr Chair, would it be in order if I were to make a motion to test the floor?

**The Chair:** Absolutely.

**Mr Pouliot:** It would be that the committee authorize the attendance of you, Mr Chair, the clerk of the committee and one member from each of the three parties to attend the conference on the specified date, September 14-16 in the city of Edmonton, Alberta. I possibly need help, and I would appreciate your help in the appropriate wording.

**Mr Chudleigh:** For clarification, you said the Chairman plus one member from each party, so that would be four members.

**Mr Pouliot:** Exactly, and the clerk of the committee.

**Mr Chudleigh:** I couldn't support that. I could support three, one member from each party.

**Mr Pouliot:** That would be inclusive of the Chair?

**Mr Chudleigh:** Yes, one member from each party.

**Mr Pouliot:** What about the Chair?

**Mr Chudleigh:** The Chair could be his representative from his party.

**The Chair:** You're including the clerk or deleting the clerk?

**Mr Pouliot:** Yes.

**The Chair:** Yes what?

**Mr Pouliot:** Father Shea would wish to see a report, and no one is more able to prepare and present such a report than the clerk.

**The Chair:** You realize that whatever the outcome of the vote on this motion, we would still need the blessing of the House to travel to Edmonton. In your motion, M. Pouliot, are you adding that the clerk provide us with not only a transcript but a full report of the activities of the conference?

**Mr Pouliot:** Yes, and I do so at my own peril, Mr Chairman, to acquiesce to the wishes of my colleague Mr Shea.

**The Chair:** Very good. Can the clerk read the motion?

**Clerk of the Committee:** That the committee request authorization from the House leaders, through a motion in the House, to allow the Chair, one member from each party and the clerk to attend the CCPAC conference on September 14 through 16, and that the clerk prepare a report to the full committee on the activities of the conference.

**The Chair:** We're ready for a vote on Mr Pouliot's motion. Those in favour? Those against? I declare the motion lost.

I think we should revert back to item 1, the estimates of the Provincial Auditor. As you know, members, at 9:30 this morning we had a subcommittee meeting and we were advised by Mr Grimmett that the government intends to table a motion.

**Mr Grimmett:** I'd like to move that item 1, estimates of the Provincial Auditor in open session, be struck from the agenda. It is our position that the committee does not have the jurisdiction to deal with this matter.

**The Chair:** Any discussion on Mr Grimmett's motion? Those in favour? Against? Carried.

*The committee continued in closed session from 1053 to 1200.*

**Mr Shea:** Mr Chair, I move that the committee request of the House leaders that the Chair or the Vice-Chair and the clerk of the committee attend the CCPAC conference from September 14 to 16, and that the clerk prepare a report to the full committee on the activities of the conference.

**The Chair:** All in favour? Opposed? The motion is carried.

We'll now go back into our closed session.

*The committee continued in closed session at 1201.*





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Mr Toni Skarica (Wentworth North / -Nord PC)  
Mr Joseph N. Tascona ((Simcoe Centre / -Centre PC)

**Substitutions present / Membres remplaçants présents:**

Mr Ted Chudleigh (Halton North / -Nord PC)

**Also taking part / Autres participants et participantes:**

Mr Erik Peters, Provincial Auditor

**Clerk / Greffière:** Ms Donna Bryce

**Staff / Personnel:** Ms Elaine Campbell, research officer, Legislative Research Service

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## Legislative Assembly of Ontario

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## Assemblée législative de l'Ontario

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## LEGISLATIVE ASSEMBLY OF ONTARIO

## ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON  
PUBLIC ACCOUNTSCOMITÉ PERMANENT DES  
COMPTES PUBLICS

Thursday 21 August 1997

Jeudi 21 août 1997

*The committee met at 1007 in room 228.*1996 ANNUAL REPORT  
PROVINCIAL AUDITOR

Consideration of section 3.12, assistive devices services activity.

**The Chair (Mr Grandmaître):** Good morning, everybody. I hope you had a great summer — a short summer, but I'm glad to see that you're back and raring to go.

This morning, members, we're still dealing with section 3.12, "Assistive Devices Services Activity," and that's part of the 1996 Provincial Auditor's report.

ONTARIO HOME RESPIRATORY  
SERVICES ASSOCIATION

**The Chair:** This morning we have two groups of people. The first group is from the Ontario Home Respiratory Services Association: Mr Al Sperry, chair; and Mitchell Baran, member. You have 15 to 20 minutes to make your presentation and also provide us with an opportunity to ask questions. Please join us.

**Mr Al Sperry:** Thank you. Mr Chairman, members of the committee, thank you for the opportunity of speaking with you this morning.

My name is Al Sperry. I am part owner and director of operations for VitalAire in central and eastern Canada. I am also chairman of the Ontario Home Respiratory Services Association, or OHRSA, as we refer to it on a daily basis.

OHRSA represents the majority of home oxygen providers in Ontario. With me as well is Mitch Baran, who is owner and president of London-based Trudell Medical and a former OHRSA board member.

The OHRSA membership has been watching closely as the members of the committee have debated the Ministry of Health budget allocation for the provision of home oxygen to Ontario's citizens. I hope that by being here today, I can help clear up some lingering questions you may have and provide a better understanding of our organization and the services its members provide to the people of this province.

The central question of debate seems to be, is the province getting the best deal possible with its current agreement with OHRSA, which sets a reimbursement rate for oxygen modalities at \$425 per client per month?

As an organization that has gone through tremendous change in the last few years to keep pace with changing economic and political realities, OHRSA was quite surprised to learn that our efforts may not meet the approval of this government or specifically this committee.

Several years ago, the members of OHRSA, which represent about 85% of the clients receiving home oxygen in the province, realized that the status quo simply was not an option. Like most service providers, we realized that the days of ever-increasing health budgets were over and that we had to deal with this reality. I believe that the members of this committee are well aware of the significant reductions to the home oxygen budget that the ministry has achieved over the last four years. This has only been achievable with the full cooperation and strong support of OHRSA and its members.

For the industry, this has meant a loss of two thirds of the previously existing companies. The Ontario market now features 46 approved vendors compared to 146 in 1990. While this has caused tremendous upheaval and job losses, about 1,200 in our industry alone during that period of six years, OHRSA and its members have been willing participants in this necessary change.

In 1996, discussions were initiated about two basic issues: (1) the government's desire to streamline and find efficiencies in their approval system — they had some reductions that were required in terms of economic allocation and staffing levels to their departments at which they needed to streamline their approval process and their efficiencies — and (2) OHRSA had some issues, particularly the sense of stability for our clients and our companies and their employees. At that time we were involved in discussions about renegotiating our agreement. We knew the result would be a further decrease to our compensation, but our membership recognized the situation facing the government and chose to play our part in reform, while at the same time trying to ensure that our clients, even those located in the most remote and costly areas of this province to serve, were not forgotten.

In the spring of 1996, the Auditor raised some questions concerning the home oxygen program with the officials at the Ministry of Health. To help the ministry address these concerns, our membership has once again chosen to do everything it can to help.

We have fully supported the implementation of independent assessment pilots. We are also hopeful that the study will be done, in conducting the pilot site tests, that



will provide valuable scientific data that will be useful when planning for the home oxygen program in the future and that will benefit our clients and the people in need of oxygen in Ontario.

We have provided the ministry with cost breakdowns for a typical home oxygen provider and have accepted the single reimbursement rate for treatment modalities. Why? Because though it means less revenue for us, it is the right thing to do for the system.

While many groups and individuals have talked the talk, OHRSA and its members have actively pursued every reform which we believe has been truly aimed at putting the patient/taxpayer first, and we will continue to do this.

It is OHRSA's belief that ripping up the current agreement signed by the Honourable Dave Johnson and tendering for the provision of home oxygen services will not result in improved conditions for those in need of oxygen in their homes or prolong life or quality of life for those people. Much the opposite would occur.

While certainly saving some money in the short term, tendering will result in a handful of monopolies in the province which will jeopardize the industry's outstanding level of service, which has been a by-product of the competition we have seen, resulting in further job losses for communities throughout Ontario; erode the small business base within the province; and eventually lead to the increase in direct home oxygen costs and to indirect increases in costs to other parts of the health care system, particularly the long-term system.

It is our understanding that the Deputy Minister of Management Board has indicated that the Ministry of Health should be tendering for home oxygen, as the Management Board procurement guidelines "apply to all programs involving direct acquisition by the province." While we believe the guidelines make perfect sense, OHRSA supports the Ministry of Health's contention that Management Board may not realize that this is reimbursement for a service provided to Ontarians, not the purchasing of some equipment used by the ministry. In the same manner that the Ontario Medical Association, the Ontario Pharmacists' Association, the Ontario Nursing Home Association, the Ontario Association of Medical Laboratories and many others negotiate a rate of reimbursement for their membership with the Ontario Ministry of Health, so too does the Ontario Home Respiratory Services Association. We simply want to be treated in the same manner as anyone else in the health care sector.

As responsible members of the health care community, OHRSA members accept and embrace the need to achieve more efficiency in an effort to drive dollars to front-line patient services. As we find individuals being discharged from hospital earlier and earlier and as the general population is living longer in their homes, it is more crucial than ever that Ontarians have access to the comprehensive services in the home. This is not just rhetoric; it is necessary to protect the interests of those in need of our services.

I wish to reiterate that we as an industry have earned a reputation, by swallowing some very harsh medicine, as proactive participants in necessary reform. This is a record we are proud of and vow to continue. While the many small businesses that make up OHRSA appreciate the concerns and questions of the members of the standing committee on public accounts, we hope and trust that the efforts made by the industry and the ministry to maximize the efficiency of government spending without putting taxpayers' health at peril will be recognized and supported.

OHRSA further urges the committee to recognize the tremendous upheaval and long-term negative impacts to both the health of Ontario citizens and government finances that a tendering process will produce. On behalf of all Ontario home service providers, I thank you for your time and consideration of this most important matter of the wellbeing of Ontario citizens.

Mr Baran also has some comments that he would like to make.

**Mr Mitchell Baran:** I'm Mitchell Baran, president of the Professional Respiratory Home Care Service Corp, an Ontario-owned company which services the needs of oxygen patients in Ontario. To begin with, along with my colleague, I'd like to thank you for the opportunity to share our thoughts with you this morning and, to the best of our ability, to answer any questions you may have with truth and candour.

I'll tell you a little story about my background, about getting into this business, which has to do with the quality of the service we provide today. I've been in the medical business for quite a few years. Approximately 15 or 16 years ago I was asked by the respiratory department at one of our local hospitals in London to get into the home oxygen business because the service they were getting was badly done. One thing in particular that struck this particular respiratory department was the evidence of an oxygen cannula that had been left with a patient for Lord knows how long, and it showed a growth within the cannula which was actually green — you could just see it sitting in the cannula — and that poor patient was being infected every day, day in, day out, because somebody simply dumped the equipment with the patient and allowed this to happen. That is how I got into the business, because at that time there was a significant problem with quality.

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In addition I'd like to tell you that in my youth I suffered severely from asthma. There was just no such thing as oxygen being provided at that time. I've got a passion for this business, and the passion relates to the question of quality of care to the patients we serve and look after.

My colleague has stolen a lot of thunder from me because we're sort of uncoordinated — he was in the hospital recently with a pretty severe procedure — so I'm going to skip around a little bit and hope you'll forgive me if it sounds disjointed. Nevertheless, I'd like to make a few comments based on (1) what our company does, (2) our relationship with the Ministry of Health, (3) competition; and (4) the future.



Oxygen may not be well-known, but it is considered to be a drug. It's not a commodity, and as a drug it is administered to the patient and it needs a health care professional. I served a number of years as chairman of the chronic hospital in the city of London. An oxygen patient at home is really an extension of that person being in the hospital. The relationship of health care professionals and how they look after patients during their visits and how they relate to them in their phone conversations is terribly important. Changing that person around causes a great deal of anxiety and exacerbates a patient's condition.

To illustrate how we deal with this, our staff has been with us for over 10 to 15 years. We provide good, solid jobs for these people to ensure continuity for our patients. These aren't part-timers; these are people who have good jobs with benefits, and they were very concerned and have been over the last four or five years with the onslaught the ministry has put on us to reduce costs and with a 30% reduction in our funding.

If the ministry ceases doing business with us, our staff is out of a job. They have nowhere to go. That obviously is happening everywhere in our economy, but nevertheless there needs to be a recognition that if we cease doing business with the ministry, then we are faced with significant severance benefits for this staff, which in fact we cannot pay.

I wanted to make the point of, number one, how important the relationship of our staff with the patient is. It is very much relative to what happens in a chronic hospital.

The second point I'd make, and it may not be very well understood, is the 24-hour service that our company and other companies in OHRSA provide. That means our people, our health care professionals, are on 24-hour call day in, day out, seven days a week. When a patient calls, they don't get anybody but a health care professional. I would ask any one of you try this on your doctor or even in a hospital. We provide absolutely top-quality service to these patients every time, even during the night, where our staff gets called at 2, 3 and 4 o'clock in the morning. That patient, if our people weren't there to offer that service, would be winding up in the emergency room, increasing the cost of the system.

Again we're coming back to this issue of quality and how important it is in terms of providing care to these patients, and there's a significant cost saving overall to the system because the home oxygen patient is getting the care he or she would get in a hospital at a very low price.

The other thing, for example — we're not dictated to do this — is that our company, and probably others, provides a video. Our health care professional sets up the patient, giving instructions, and to reinforce that leaves behind a video. In this province, as you know, we've got a multilingual population, and that video is available in English, French, German, Mandarin, Italian, Portuguese and so on. We've taken the initiative to really care for our patients and to make sure we're delivering the best-quality care. You can be proud of the money that's being spent with your home oxygen industry.

The other point I will make regards accreditation. It's not a prerequisite, for example, for the industry to be accredited. We are accredited. Most of the companies that are providing a service in the industry are accredited by the Canadian Hospital Association, and every two or three years the assessors come in and assess the quality of our service. So we're maintaining a quality, which keeps the patients in their homes rather than being sent to the hospitals.

Getting to the relationship with the Ministry of Health, I would only comment that after your customer beats you up and reduces your pricing 30% over the last few years, that relationship isn't all that great. We think you've been pretty tough on us and we've tried to work within an environment. I'm not here to stick up for them, but I think they've done a pretty good job with the taxpayers' money. I'm a taxpayer as well.

Next I'd refer to the competitive situation. Very simply, the companies compete ferociously in a marketplace, and we're the meat in a sandwich. On top of us is the ministry saying, "Reduce your cost" — they've reduced our reimbursement — and at the bottom of the sandwich is the physician or the referral source, and they are asking for better service. We compete on the basis of service and quality of care, so the competition in our industry, in the marketplace, is pretty severe. It goes on every day; it's very intense. I think that anybody who would suggest we're not competing out there is welcome to come into our company and see what we have to do.

Briefly, the future as we see it: We'd like some stability. Over the last three or four years our staff have been constantly asking whether they've got jobs. We've had to make staff reductions and so on and so forth. We want to maintain our quality of care. We can do it with your help. The agreement we got recently with the ministry was on the basis of getting some stability for our people, for our industry, and we've made some sacrifices to achieve that. We thought it was the best way to go in the long term and in the interests of everybody.

In concluding, I along with the staff from my company, and I'm sure companies within OHRSA, are going to strive to continuously improve the delivery of our service to the Ontario home oxygen patients and at a competitive price. Thank you very much.

**The Chair:** Thank you, Mr. Baran and Mr. Sperry, for your presentation. Now I'll ask the third party to start questioning our guests. Every caucus will have 10 minutes.

**Mr. Gilles Pouliot (Lake Nipigon):** Gentlemen and members of the ministry, I thank you most kindly for sharing your expertise and professed good deeds by way of the essential service you provide. I, for one, am a little surprised, for it is a departure from form, from process that we would have — and I don't wish to be so bold, and if I make a mistake, please correct me. You both have that ability, and English is not my mother tongue, so I rely on your good offices to get me back on track. So if I say things like "fronting for the ministry," and if you feel it's not quite so, you indeed will correct me.



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**Mr Sperry:** That certainly wouldn't be so, if that's what you were trying to say.

**Mr Pouliot:** Yes, but it's a departure that we have. I mean, you're elevating your office, that of lobbying, and I'm surprised to say that tendering — and I don't wish to impute by taking you out of context. I occupied four ministries with the previous administration. Don't say we were short on talent, sir. That was then. I thought, by way of the Ministry of Transportation, that tendering would bring out the best in people by way of that essence of the marketplace in our system, that of competition. It establishes balance. Your search for equilibrium is responded to, is established, pronto, by way of process etc.

It's the ministry that I wish to question, because we have an element of process. We have the Provincial Auditor questioning not the ethics but process, and asking in terms of value for money. That's the role of the Provincial Auditor, forever vigilant, diligent, to say, "How do we ensure that the taxpayers in Ontario, all of us, get the best value for money?" So it's the third time. This is getting prolonged. People are aging in front of your very eyes. We're on a first-name basis now. We visit: "How are you? How are the children?" etc. Pretty soon we'll be into tattoos and distinguishing birthmarks. So I don't want to see those people any more in this kind of exercise. They don't want to see me; they never did.

Let me focus here. We have the head of the program, the person responsible for the people of Ontario, saying the following.

**Mr Sperry:** Before you get into that, sir, could I address —

**Mr Pouliot:** Excuse me. It's my time, sir.

**Mr Sperry:** Okay.

**The Chair:** I know it's your time, but I want to remind you —

**Mr Pouliot:** I have 10 minutes.

**The Chair:** — that your colleague Ms Martel would like to ask questions as well.

**Mr Pouliot:** I know if we tendered, we'd get a lower price. The contracts are with the suppliers, not with the association. You supply 80% of the oxygen of the users. You represent 17 out of 36 suppliers. We could break those contracts and tender tomorrow and then, quick, quick, if one was to impute motives, you find your way into the maze and you go to Johnson — that's among us people — and you go to the Minister of Health, and the recommendations from the Provincial Auditor, from the committee, well, they get bypassed because then you sign long-term and you lock yourself in.

**Mr Sperry:** Could I answer that?

**Mr Pouliot:** Yes, please.

**Mr Sperry:** Unfortunately, the information you have I don't believe is accurate. The agreement with Mr Johnson was made before those comments were made in your committee, was made before that situation took place, and was done in the early part of January.

Number two, if I could go back to your tendering issue, there is a very good situation in terms of tendering for

particular physical pieces of equipment, and I'm sure the Ministry of Transportation does very well with their tendering. What we're talking about here is a very personal service that has to do with individuals, that has to do with taking of health care dollars. If you were going to tender for home oxygen service, why wouldn't you tender for appendectomies? Why wouldn't you tender for who can do the best gall bladder work? Why wouldn't you go to the physicians and say: "Who can do the best job in terms of taking out the most gall bladders for the lowest price? Here you go"? It's exactly that personal service, and it's that personal service that we provide.

**Ms Shelley Martel (Sudbury East):** Let me give you our position as candidly as I can. Frankly, the auditor made a very significant recommendation, which was that the ministry should do a thorough review of the rates that were being provided to this industry before a new agreement was renegotiated. That did not happen because the ministry made a decision to go in and renegotiate a new deal before the deadline. So that has not made this committee very happy.

Also, we have been told by the ministry two things: (1) that the new rate of \$425 is a good deal because it's a package deal; we get equipment and service costs. This committee asked for a breakdown of those costs so that we could make a comparison between service and equipment costs that might be provided in other jurisdictions. We were told by the ministry that the suppliers were not required to provide that detailed cost breakdown between service and equipment under legislation. They don't have to provide it. So we haven't got that information.

Secondly, there is no doubt that at least the two of us here, and I think I speak for others in this committee, have been very concerned about whether or not the cost information that the suppliers give the ministry is accurate, is legitimate. We asked the ministry whether or not we could have some kind of independent analysis of this, and we were told clearly that the suppliers supply cost information to the ministry but have not agreed to an independent cost analysis of it.

Does tendering look good right now to me? Yes, it does, because I have to tell you I feel no confidence in knowing whether or not \$425 a month is a good price, a legitimate price, a price that allows you to still operate but that also gives taxpayers a good bang for their dollar.

My questions to you two are the following: Is the industry prepared to provide detailed costing of the elements in the package, both the equipment costs and the costs that you would associate with servicing? Secondly, is the industry prepared to accept an independent cost analysis of the costing information that you provide to the ministry so that as a committee we can feel confident that all of the information is on the table and that indeed what you are providing as information is realistic, legitimate, and we're getting a good bang for our dollar? If you could do that, we'd probably back off on the tendering.

**Mr Sperry:** Yes, we have been in a situation where we would be open to discussing terms of reference to that type of independent survey. We have already given infor-



mation in terms of a couple of companies. Mitch has been one. Another has been shared with the former director of the program. We certainly would be amenable and open to discussing terms of reference for that type of situation.

**Ms Martel:** So on both, the issues of what's in the package and a breakdown of equipment costs versus service costs, what you believe those two sets of items to be; secondly, the overall package with respect to what you need to make some money and what it costs to provide the service and what is good for the taxpayers.

You said you had two companies that were prepared to do that.

**Mr Sperry:** No, two already have.

**Ms Martel:** When were those provided to the ministry?

**Mr Sperry:** I would say some time early this year or late last year.

**Ms Martel:** Sorry. Can you just give me the companies' names again that provided information?

**Mr Sperry:** It was a composite of two: Aerocare and Professional Respiratory Care.

**Ms Martel:** For the other people you represent, the other 17 companies which you represent, who I'm assuming you can speak on behalf of and who provide 80%, you would work to have those 17 participate in that?

**Mr Sperry:** Certainly. We have nothing to hide. If anybody thinks this is a wonderful business, why hasn't anybody got into this business? Why have we seen our numbers go from 146 to 46? Why have we seen not one single solitary company in the last five years of any significance open or grow in this province? Zero. We have nothing to hide, and if that is what you feel is important to you, we would certainly work with the ministry on trying to ensure the independence of that information, because you can appreciate the sensitivity of that.

**Ms Martel:** Yes, I do.

**Mr Sperry:** But we have nothing to hide and we certainly are not in a situation where — if our industry was making millions of dollars, we would have a lot more competition. We'd have a lot of people coming into this province opening up companies. It's not happening, and the reason it's not happening is because it's not profitable to do it.

**Mr Baran:** We don't have one US company in here competing with us. The large US companies are not in here. They're just not here, and there's a reason for that. We're not here to cry wolf, but you have to appreciate that, depending on the level of service and quality the company provides, you're going to have your costs vary all over the map, because if you're providing top quality, your costs are going to be higher.

You have to establish some benchmarks as well, which we've worked at. There's no compulsion for us to give credit, for example. It's a big cost, and we are in fact dedicated to providing this quality that we talk about. It is important.

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**The Chair:** Thank you. Now we will go to the government caucus.

**Mr Bill Grimmett (Muskoka-Georgian Bay):** Our caucus is anxious to move on and discuss this issue with the ministry. I do appreciate the association coming in today to explain their position. We have no dispute or truck with the association. Our concern as a caucus, and I think really as a committee, is with the ministry's decisions. They're the ones we'd like to get to, so we would like to waive our questions in the interests of moving on quickly.

**The Chair:** Thank you, Mr Grimmett. Now the official opposition.

**Mr Gerard Kennedy (York South):** I just wondered if you could talk a little bit about benchmarks. You have made an argument about the kind of service you provide, and I sense in the answer you gave around costing that there is some variability in your industry among your members. I am wondering what the potential is there for some level of benchmarks.

For example, I don't think you can tender just giving out the provision of oxygen. There are services provided with the oxygen supply that are important. The nature of those services: How standardized is it? What are the chances for that being made into benchmarks so we can get a handle on that? Can you comment a little bit about the brief comment I believe one of you made that work had been done around benchmarks and standards in the industry?

**Mr Sperry:** There have been a lot of situations that have changed over the last number of years. At the moment I think you'd find very standard care throughout the entire province as competition has driven everyone to particular standards. I think benchmarking is something that we certainly could work with the ministry on in terms of specifically indicating to the people who are going out there right now, where we all have respiratory professionals or nurses with special respiratory training who see these patients on a regular basis, who follow up their patient care plans with the physicians and keep them in that area.

The American Association of Respiratory Care has published some standards and has a benchmark grouping you could start with. Also, the CCHSA, which is the new accreditation group that is doing all the accreditation work for the Ontario Home Respiratory Services Association as well as for some hospital-based vendors who are accredited, we are in a situation where their standards in terms of what they asked for — they asked for 160- or 180-some specific requirements in terms of benchmarks that have to be fulfilled before a home respiratory company could be accredited.

Those are two areas we could start with in terms of ensuring that all patients are being looked after appropriately and that outcomes indeed are there.

**Mr Kennedy:** I may want to come back there, but can you tell me a little bit about what kind of competition exists today between your member companies in terms of providing levels of service to the people in need of services?



**Mr Sperry:** If we had a relationship with a particular physician or physician group, and that physician group or that particular hospital said, "I need two-hour service to set up my patients. When I see a patient or I have a discharge from a hospital, I need that patient in the home within two hours," or sometimes within one hour — we have a couple of places within one hour; I'm just talking specifically now about our company — we respond to that. So we would provide a minimum requirement that we would be at the hospital, pick up the patient and take that patient home within two hours, and frequently within one hour, in terms of that discharge. Those are the types of time frames and the types of standards we've had to go to to match our competitors, to beat our competitors and to have that quick response for the system and take care of that patient in the system so they are able to be taken care of and to release a hospital bed for someone else.

**Mr Kennedy:** Does that mean if you can't do that, someone else will come and do it?

**Mr Sperry:** Exactly. If we can't do it, they'll call Mitch or they'll call someone else.

**Mr Kennedy:** In the shakeout that's happened in the industry, you've got 46 or 36 providers?

**Mr Sperry:** Forty-six approved providers, but of that —

**Mr Kennedy:** How many parts of the province are competitive in the sense that there are multiple providers? Is it across the province or just in larger areas?

**Mr Sperry:** All parts of the province, with the exception of certain remote northern communities, particularly far northern areas. I understand that there is now another competitor in the province that is opening a branch in that area, so there will be at least two servicing all parts of the province.

**Mr Kennedy:** In the absence of benchmarks then, I guess it's a little hard to pin down exactly what the standards are except what's acceptable to the provider who decides who is providing the service. Is that right?

**Mr Sperry:** The physician ultimately has the authority where his patient is going to go. Certainly sometimes they have their nurse, sometimes they have their clerk, sometimes they have a discharge planner at the hospital take care of it, sometimes they have one of their staff members look after it, but it's the physician's call. If you are not providing the responsiveness and the quality of care for that patient — because obviously these physicians see their patients frequently and their patients are always saying: "I really appreciate the service I got from company X. I appreciate the responsiveness. I appreciate how well they've taken care of me. I appreciate how well I'm doing. I used to go to hospital every month and I've now been at home for a year without one trip to the emergency ward." All of those types of things are the feedback and the reason why physicians and other health care professionals make decisions as to which company to pick.

**Mr Baran:** Could I just make one fast comment on that? It's my personal opinion that all the companies should be required to be accredited. We think that's a benchmark.

**Mr Kennedy:** I wonder if I could ask the Provincial Auditor whether or not the new financing or funding arrangements have been assessed relative to their value to the province and so on. Has the new single-pricing system been assessed and, in the presence of the association, what is your opinion of it in terms of what value it brings to taxpayers?

**Mr Erik Peters:** We have only assessed it in terms of trying to find out whether it will help the ministry in reaching its targets, which were to change the modality from liquid to concentrators, to reduce liquid oxygen expenditures to 35% of the total cost. Our concern, and that's where we have this raising, is that we are not sure how the single-price structure will actually help the ministry change the modality from liquid oxygen to concentrators, because in our audit we found that we are very unusual as a province in terms of the percentage of people we fund who are on liquid oxygen versus concentrators. So our concern was how the single-pricing structure and the absence of tendering — this was a negotiated price versus a tendered price — would help the ministry in achieving its cost reduction targets while maintaining the service level in the province. We have not assessed it, but we do question whether the single-pricing structure is constructive in that regard.

**Mr Kennedy:** Does the association have a comment on that or not?

**Mr Sperry:** My comment would be that maybe if you took Ontario in terms of Canada and looked provincially at the liquid being more significant — if you looked at it in the case of the world situation, that's not accurate at all. Certainly in the American model it's not accurate. Certainly in the Italian model it's not accurate. Certainly in the Spanish model it's not accurate. I would simply say that a lot of medical research that is being done today talking about respiratory rehab and talking about medical rehab specifically addresses the area of liquid oxygen, most importantly in Sweden, where there's recently been a study produced that indicates that at least 30% should be on mobility. If you talk to a physician, their answer would be, "Everybody who has a rehab need should be on liquid oxygen." It should not be driven by percentages, it should be driven by patient need.

**The Chair:** Mr Patten, you have one minute.

**Mr Richard Patten (Ottawa Centre):** My original question was the same as Ms Martel's and I was pleased with the response that you are amenable, in the sensitive manner that of course is required, because it is sensitive, to providing the cost structures of your services.

I suppose part of the difficulty is that we have the experience that the ministry has really been operating as if you were like a pharmaceutical association or the OMA or the OHA, when in fact that status, as such, was never negotiated or confirmed. That, I think, is part of the difficulty. So my question to you, because I only have 30 seconds or so, is why do you not apply for that kind of status and would you get the support of the full membership of your association? What would that do to the industry?



**Mr Sperry:** I'm not aware of that situation that we should have applied for, but if there is an area to apply for that type of status, we certainly would be interested in applying. We would have full support, I'm sure, of our membership, and I believe that we would readily be accepted into that category. There is no question that if anyone goes out and takes a full assessment of what we do, we fall into being a service provider, not an equipment provider. It's that particular area of expertise that has made our industry successful, and is why we've been able to keep so many patients and clients in the homes, not in the hospitals.

**The Chair:** Mr Sperry and Mr Baran, thank you for your presentation this morning.

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### MINISTRY OF HEALTH

**The Chair:** I'd like to call on the Ministry of Health to come to the bar, please. From the ministry this morning we have Ms Lindberg, the assistant deputy minister; Gordon Kumagai, acting director; and also Monica Reilly, who's the senior program coordinator. Welcome to our committee.

**Ms Mary Catherine Lindberg:** Thank you. We would like just to make a very short statement. I swear, it will be short.

**The Chair:** It'll give us more time for questions.

**Ms Lindberg:** The ministry would like to thank you for bringing us back and to say that we feel we have negotiated a fair price. However, we recognize there's always room for improvement.

The ministry feels the best value for health care is more than getting the best and lowest price. Obtaining the lowest price for goods and service is not the only principle the ministry has to follow. We need to ensure that we get the right price or treatment for the right person. We provide this as close to home as possible, and we do this as cost-effectively as possible. As managers, we're committed to reviewing the business of the assistive devices branch and how it does it.

How to improve the services to clients and how to make the best use of public funds? When we sign a contract with a vendor for the provision of home oxygen services, the contract we sign isn't just for a product, the gas. We sign a contract that demands that a vendor provide home delivery, set up the equipment, train the user and family members in the safe use and storage of oxygen and deliver and replenish supplies needed to use the equipment. A vendor must commit to providing trained, professional staff to monitor and assist patients, provide fast backup, emergency coverage 24 hours a day every day, adequate delivery staff, equipment, trucks, and to meet all these requirements.

There are basically three components we require to get the best value for our expenditures on home oxygen. We need to ensure there is access to northern and rural communities. We need timely backup in case of electricity failures or equipment failures. They must be provided, as

oxygen is a life-sustaining treatment. The quality of service is making sure that the professional expertise is provided to the users and their families.

We have committed to doing a couple of initiatives, and I think they were talked about here previously, but I think we should just indicate what we are going to do again. We have reached an agreement with medical experts to research whether using independent assessors affects determination of a patient's eligibility for the home oxygen, and we will be working with the Ontario Home Respiratory Services Association in a joint audit of home oxygen costs and prices by using an independent auditing firm. We will work jointly with the Ministry of Health auditors and the provincial auditors to ensure that the issues that need to be addressed will be addressed.

That's our statement.

**The Chair:** Anyone else from the ministry?

**Ms Lindberg:** No.

**The Chair:** Then we'll start with members from the government caucus.

**Mr Grimmett:** We've had a lot of discussion about this on the committee and certainly in the time that we've spent on this issue there's been some concern that the Ministry of Health may not have been aware of or possibly was not clear on how they were to proceed under the Management Board directives. Have you had the benefit of the chronology that was provided to the committee?

**Ms Lindberg:** Yes. We've read it.

**Mr Grimmett:** If you'll note on page 6 of the chronology, May 16, 1997, Michele Noble sent a directive to Margaret Mottershead, and in it she dealt with the directive and whether the directive would apply to this particular program. We've received a lot of information today, a lot of explanation for the contract extension. I think we have to keep in mind the recommendations the auditor has made and my question continues to be, just how is your ministry going to deal with this issue if the contract extension stays in place? How are you going to deal with it next time around? Are you looking at an approach that would also include some aspects of tendering next time around?

**Ms Lindberg:** In the same letter, Michele Noble also said that we understand the "commitments made to OHRSA preclude any changes to the home oxygen pricing before March 2000." So if in the next two years we plan on reviewing the full determination of how we deliver oxygen and how oxygen is obtained by the person and look at — the other thing is we will be looking at the directive and the tendering. We're not going to dismiss the directive out of hand. We will be following the directive. However, we would like to have the full two years or most of the year — it would take us less time than that because we have to make a decision early on before the year 2000 if we're going to change how we currently operate. So we've only really got a year to look at any kind of pricing structure, any kind of new ways of doing things.

There are alternative ways of delivering oxygen, and one is tendering, but one is also maybe looking at a different way of supplying it. We would like to have an opportunity to look at those in the next year.



**Mr Grimmatt:** The auditor said in his report that the focus of the ministry should be on, I take it, trying to reduce the use of the liquid oxygen. I wonder how, under this contractual situation, that's going to occur. What is the ministry going to do to try to reduce the use of liquid oxygen?

**Ms Lindberg:** You have to forgive us. We're sort of new on this and some of the details, so Gordon, maybe you can —

**Mr Gordon Kumagai:** I'm not sure that we're going to continue everything that's been discussed in the past. We're looking to the future and, in terms of what we see, we're looking for best value. Part of that is ensuring that clients get the most appropriate form of oxygen, according to medical criteria. So while I recognize that previously the minister has indicated we'd use a target, we've got this research project under way that is looking at two things. One is the appropriateness, if you like, of the testing on who is eligible within fairly narrow confines of medical benefit. There's been a question raised as to quality-of-life benefit for clients on oxygen that hasn't been addressed, and part of the research project will deal with that. What we would like to do is take those results and build them into the process of achieving the best value that delivers the best service that's required by clients according scientifically based medical criteria.

1100

**Mr Derwyn Shea (High Park-Swansea):** I confess I'm not quite certain where to begin with my questioning, nor do I think 10 minutes is sufficient.

Let me ask you to go back to some comments made by Mr Sperry, because I think he gave a very definitive response to some of our concerns. Obviously they were driven from his side of the issue, and that's fair enough.

To go back to some of the questions that concern me — and setting aside the issue of tendering or not. That's something I think this committee is probably of a mind to approach in its own time and way. The concern I have about the appearance that the auditor — and I don't want to put the auditor personally on the spot, but in terms of the drive of all governments to find economies, the relationship to liquid, the issue of patient needs versus percentage driving the decision, do you have a response in that regard? How do we ensure there is not wastage, on the one side, and that there are the appropriate economies and efficiencies? How do you give a reassurance to the committee that that can be found, without obviously going too far one way or the other?

**Mr Kumagai:** Good question.

**Ms Monica Reilly:** Do want me to help you?

**Mr Kumagai:** Sure.

**The Chair:** The auditor would like —

**Mr Shea:** Is this clocked as part of my time?

**The Chair:** I guarantee you, you'll have plenty of time, Mr Shea. The auditor at this time would like to make a clarification.

**Mr Shea:** I didn't ask the auditor.

**Mr Peters:** No, you didn't. But I need a clarification of fact. The 35% of expenditure and 20% users on liquid

modality was not a target set by my office. That was a target that was in existence in the ministry when we did the audit. That is a ministry target, not one that we had recommended.

**Mr Shea:** That's a fair rejoinder. That's fair. You escaped again.

**The Chair:** Ms Reilly, please.

**Ms Reilly:** To address your question of how we'll know whether or not we're meeting that target, part of what this whole exercise —

**Mr Shea:** Please let me intervene. It was not just how you're meeting the target. I'm concerned about the target itself. Mr Sperry was at pains pointing out the patient needs versus statistics. That was a reasonable comment that I think the Ministry of Health needs to be conscious of, and probably is.

**Ms Reilly:** That indeed is something that we have looked at fairly recently and that Mr Kumagai was referring to with the independent assessment pilot project. Because there is debate in the field as to whether or not the target should remain where it is, at the 35% liquid and the remainder being concentrators, part of the independent assessment model will look at trying to determine what best suits a client's individual needs in terms of their supply system. We are at a flat rate price right now and don't really have a good handle at this point on where the shift is occurring, whether more people are moving to liquid or if they're moving to concentrators. We're hoping the independent assessment project will help us determine this, and whether or not it's appropriate to move to that model.

**Mr Kumagai:** As far as competence is concerned, by the way, the two people we've got doing the research are internationally recognized in their fields of respirology and epidemiology. One of the things we were concerned about is that the results of the study have credibility within the medical community.

**Mr Shea:** Just passing by the issue of flat rate, I assume that what you did was essentially just simply average out the difference between the \$347 and the \$526.

**Ms Reilly:** Yes.

**Mr Shea:** So there was really no differential to the industry. It was essentially a matter of, where does this line move?

**Ms Reilly:** It was based on the average reimbursement per client that we were making.

**Mr Shea:** Clearly. The issue of benchmarking, let me ask you about that, because it troubled me in the response again from the industry. This gets into the issue of tendering, in another direction. Can I take it from the comments from the industry that indeed one of the difficulties you may have is that there may well be quality differentials of what you're tendering on and that creates a problem of how you benchmark? If you're going to a tendering route, you'd have to be incredibly precise in how you define what you're looking for, both in terms of quality and access. Is that true?

**Ms Reilly:** Yes, it is true.



**Mr Shea:** Do you find at this point that as you do your search of suppliers across North America, at the very least, there is a wide divergence of benchmark qualities?

**Ms Reilly:** Yes. We have some minimal standards that we set for vendors to have agreements with us at present, but there is still a lot of room for play in that, follow-up schedules, that kind of thing, that we don't define precisely.

**Mr Shea:** The concern that is expressed by the industry about the direction that governments have moved in — and I say the plural, not just to involve this government but others — in an attempt to try to ensure that costs are contained, or at least can be very clearly rationalized to the taxpayer, may have, in the Canadian instance and in the Ontario instance specifically, created a difficulty with the supply sector. That is, the figure I wrote down was 146 in 1990 and it's down to 46 or thereabouts now. We're creating some difficulties and the evidence that we have before us in some of the documents indicates that, with some of the shift, this may now allow smaller suppliers to begin to re-enter the stream.

Can you comment on that in terms of the competition that it's leaving in Ontario and what the rates are that we're currently experiencing in Ontario compared to — give me a couple of other Canadian jurisdictions and a couple of other jurisdictions where the population densities would be similar to Ontario. I'm not interested in trying to compare where densities are incredibly rich. I want to find something where there is some sense of northwestern Ontario, as a case in point.

**Mr Kumagai:** I am sorry, I haven't done that analysis and I'm not familiar with those rates. It's something I've started to do but I can't give you any figures right now on the comparisons. They've looked at comparisons in global terms.

**The Chair:** Can the auditor be of any help to you, Mr Shea?

**Mr Shea:** Will you whisper in his ear and ask, Chairman?

**Mr Peters:** If I may, the ministry has actually provided some information on that point. I'm referring to page 3 of a letter of June 9, written by the ministry to the clerk, in which there is a comparison, for example, with Alberta and Saskatchewan which indicates that liquid oxygen is not covered in Alberta, is not covered in Saskatchewan, and that the concentrator rate is — Ontario's was \$425, as we know. Alberta is indicated as \$337 to \$468 and Saskatchewan is indicated at \$410. I hope I didn't go too fast.

**Mr Shea:** I didn't have that in front of me. I was trying to recall. I don't have my notes from the last time we discussed this, but I assumed the ministry would have them right at their fingertips and would be able to offer them for me. I need a moment to go at this now, but thank you for the comment. I appreciate the clerk providing this for me. I didn't have it. I'll defer to Mr Grimmatt for a moment while I continue going over this one point in particular I'm trying to chew away here.

**The Chair:** Mr Grimmatt, carry on. You still have five minutes.

**Mr Grimmatt:** That's ours.

**The Chair:** Mr Shea, you'll have a chance to get back to the panel. Now the official opposition will have 15 minutes and then we'll carry on with the third party. Mr Shea will have something to add after our 15 minutes. Go ahead.

**Mr Jean-Marc Lalonde (Prescott and Russell):** I would just like to know, since we are targeting to reduce the liquid oxygen by 35%, which would be a cost saving of \$3 million, what is the best for the patient? Is it liquid or concentrator?

**Ms Reilly:** I'm sorry, I didn't hear the question.

1110

**Mr Lalonde:** What is the best for a patient, liquid oxygen or concentrator oxygen? Because at the present time, 51% of the users use liquid oxygen. That is according to 1995-96 figures that we have. But what is the best? The fact that we are going to have one price of \$425 doesn't go along with the recommendation of the auditor to try and reduce the oxygen at the present time. If we are saying that we are going to continue giving the liquid oxygen, we're not following the recommendation of the auditor. According to what the auditor just said about the cost in other provinces, if we are trying to reduce the amount of liquid oxygen, why have we gone to this one price of \$425 if we are going to reduce the liquid? What is the best at the present time for the patient?

**Ms Reilly:** It's a very difficult question, because from the patient's perspective, the patient who has a low oxygen level needs oxygen no matter what. You can deliver it in any one of a number of ways. The cheapest way is to put in an electrically powered concentrator which literally sifts the oxygen out of room air and gives concentrated oxygen to the client. The drawback to that is that you sacrifice mobility, because then the client is confined to the house.

**Mr Lalonde:** With the liquid?

**Ms Reilly:** With a concentrator system, not with the liquid. The concentrator system has a drawback in that it's electrically powered. You have to use portable tanks, high-powered, high-pressured cylinders, to give them any kind of mobility away from an electrical outlet.

For a portion of the population, that is just fine if they tend to be more sedentary, more homebound, as a fair number of oxygen clients are. Most of our population are seniors, and of that, a good portion are elderly seniors, so they may not be going out that much. In that case, the portable tank will do them for the once-a-week trip out that they may take to visit family. They may have people helping them with groceries etc.

However, the liquid oxygen, which is more costly, is a standalone system. It's actually oxygen at a very low temperature, which enables one to store oxygen as a liquid and you actually get about 800 times as much. Per liquid litre of oxygen, you get 800 gaseous litres of oxygen, so you can store an awful lot.

To utilize that, you can also have a small stroller unit that you can fill off this standalone reservoir. It's not electrically powered at all; it's standalone. You can fill a



portable reservoir and that will last a great deal longer than a tank, so one could go out twice or three times a week, every day if they had to, and refill this tank, this small portable unit, from this larger tank. In terms of the supplier it's more work-intensive because now they have to come in twice a week, sometimes three times a week, to fill this liquid reservoir so the client can fill up their little portable unit or use it at home.

In terms of what is best, it depends entirely on the client. If we have patients who are working people, who may be continuing on a part-time or full-time basis with their job, they obviously want liquid oxygen. They need liquid oxygen to keep them mobile. It's the same with the very mobile seniors who are out and about a lot and want to maintain that level of interaction. That's why we seem to be having so much difficulty with the question of what is the best split. It depends on the population we have at the time. As diagnostic tools improve and knowledge improves and these situations where clients need oxygen are picked up sooner, we may be picking up more people who are more mobile. We don't know.

**Mr Patten:** Just a short question: Part of the discussion, I suppose, is the fine line of the role of the suppliers. The industry today talked about themselves as providing services to patients and how important that was, that that is different from simply being an equipment deliverer to a home. Could I have your comments on that? How do you see them? What is the mandate other than simply providing a piece of machinery or a tank or whatever? Are there subtle things or other aspects in more human terms that really are important in what they do?

**Ms Reilly:** For a supplier, yes. It would be very easy to get a company to just drop off the oxygen equipment and then not follow up. There are all kinds of considerations, particularly in trying to keep these people at optimization: somebody going into the home who has some experience and skill in that area who can encourage them to exercise, mobilize; also perhaps just during a routine visit noticing that their ankles might be a little puffier than usual, perhaps alerting their physician that maybe there's an early sign of an impending problem, or if the patient complains that they're feeling a little chesty lately and their cough is not doing very well.

In addition to looking at the oxygen, if they hear these complaints they may take that time to put a non-invasive testing device on and just have a look and see what's going on. Maybe their clinical situation is changing. It would be rare that you would have somebody who just needs oxygen and no other drug. These people generally have respiratory compromise, so they're not per se the healthiest segment of the population.

**Mr Patten:** I take it that there is an acknowledgement that it's more than just delivering a piece of equipment. In a sense the industry has been treated almost as if they were a consortium or an association. What are your views on that down the line? I'm assuming a lot. At some point, obviously, we have to talk about standards and what kind of training, and the role of the suppliers, and maybe "supplier" isn't the best term. There was a comparison

where the industry said, "We'd like to be considered like the pharmaceutical association," where you negotiate a fee and the rules and regulations are negotiated, and away you go, and you do it on an industry-wide basis. Do you think that's the best way to go down the line?

**Ms Reilly:** We certainly see some merit in having the supplier recognized as a service industry. However, we are mindful of the auditor's recommendation to separate out the assessment process for qualifying for funding for our program from the continued provision of service. Yes, we do see merit in having the service providers recognized as service providers, not just suppliers, because they do indeed provide comprehensive services. However, we want to separate that from qualifying for our program to begin with.

**Mr Kennedy:** You talk about credibility. The targets in the first place that began some of this discussion — how are they supported? Where is the medical evidence that those are safe targets for us to put in place? Where is the stuff that shows us that we're not deducting services away from people who could be either economically contributing or whatever? Where does that start from? You set a target. What medical evidence was it based on? It's startling to hear about a study being done after the fact to see whether it's a safe or good thing, that there's concern out in the field. Where does this come from and what is it supported by?

**Ms Reilly:** It was developed by looking at scientific papers that were available in the industry. Some of the studies were based in Europe and the United Kingdom and largely showed what percentage of clients they had on oxygen and what types of oxygen supply systems were required by these clients. These papers are not old. I think they're from the mid-1980s. However, we're now in the late 1990s. When all of this has come up, that's why we have started this project, because we want to readdress some of these problems and see if there hasn't been a shift.

**Mr Kennedy:** Does this take into account what's happening in terms of hospitals particularly, with more and more people being in long-term-care facilities, where more and more people are being made to stay in the home in the sense of the availability of service and the quicker-and-sicker modalities of getting people out of hospital? Does it take that into account?

1120

**Ms Reilly:** Those studies do not. That's why we have this independent research project, to ask some more questions, and it's part of the reason we went to a flat rate, because we began to find it increasingly difficult to have ministry staff adjudicate requirement for liquid versus a concentrator. Part of our frustration was that we were seeing exactly what you're talking about. Things are changing.

**Mr Kennedy:** The essential thing we have to have a look at in the public interest is, how much of this is saving money purely — in other words, efficiency — and how much of this is about effectiveness? What are the goals of this? What are the criteria for someone to get a concen-



trator? We need to know. If you have criteria and somebody gets liquid oxygen and they can contribute more to society, have a better quality of life, maybe spend less time in acute facilities, that's useful. But if you don't have criteria, we're wandering around here.

**Ms Reilly:** We do have criteria. We did before the flat rate. Now we don't implement the criteria. But yes, we did have criteria; they were based on medical input from —

**Mr Kennedy:** Who decides after the flat rate? Who decides now who gets which modality?

**Ms Reilly:** Now that choice remains between the physician, the service provider and the client.

**Mr Kennedy:** The last thing is, in the savings you've had so far, how were they achieved? You've had reduction in outlays. In my understanding, some of it at least came from restricting the access to the program. Is that correct? Where would you say the savings came from over the last five years?

**Ms Reilly:** Largely from reduction in costs. Is that correct, Gordon?

**Mr Kennedy:** Reductions in what kinds of costs?

**Mr Kumagai:** A reduction in the rate that was paid, and second, a smaller reduction from the enforcement of the medical criteria, so there were fewer people being made eligible in the first place.

**Mr Kennedy:** Have the medical criteria been made more stringent or just the enforcement of them?

**Mr Kumagai:** Just the enforcement was changed.

**Mr Kennedy:** So the actual blood test and so on remains the same and the readings are the same. Is that correct?

**Ms Reilly:** Actually, in 1990 we did change the criteria. From 1991 to 1993, it was tightened up.

**The Chair:** I must move on to the third party.

**Mr Pouliot:** By way of reciprocity, we are pleased to have you back as well.

I have a letter from Jim Wilson, the minister, and I'll quote the last paragraph: "At this time I have no intention of altering this agreement before its expiry in March 2000," which would freeze the prices.

I also have another document. It says, "A clause allows the ministry to reopen and/or get out of the contract."

I have a quote from Mark Cox, who's no longer in the employ of the government.

**Interjection:** Where is Mark?

**Mr Pouliot:** Yes, where is Mark? He says, talking about tendering, that the ministry could tender if it wanted and has thought about it. According to Mark Cox, "That frightens the industry, because it would drive the price down even further and speed up the process of consolidating the industry." That's one quote.

Mark also makes the following comment, again on tendering: "If the government wanted us to tender, we could tender. I know that if we tendered, we'd get a lower price. The contracts are with the suppliers, not with the association. We could break those contracts and tender tomorrow."

The chronology illustrates the sequence of events. From March, we know about the good offices of one Michele

Noble. We know when your ticket was drawn: the visit of the Provincial Auditor. All the Provincial Auditor said, simply put, is that he urged the ministry to negotiate better prices. Everything else came after; some of it was in the words etc. That's what the ministry said.

We have to reconcile the words of Mark Cox, who was adamant, very clear, very much to the point in saying that in his professional opinion — said in front of this committee, sincerely believed, even said with candour — if we went to tendering we could achieve a better price. He said it not once, but twice, and on the record. The spokesperson for the ministry, the highest authority when it comes to home oxygen supply that the government has, the number one person on the panel, says in response to the Provincial Auditor, response to the committee, "I, Mark Cox, am of the opinion that if we went to an open tendering process, the taxpayer of Ontario would achieve a better price for the same product." This is not in question here. This is a fact backed by the highest expertise and authority in the province. Otherwise etc he would not have been here to answer, to explain the question.

Now that Mark Cox is no longer here, he loses credibility. He becomes the Michael de Guzman of the ministry, anything associated with Bre-X, whether it's Felderhof — love and affection, Ingrid in Grand Cayman, all in her name — or David Walsh in Calgary, it's all de Guzman.

Mark Cox should be here to reiterate. But then again, he need not be here, because that's what he said. Who am I to believe? Someone who comes in as a lobbyist and says: "Buy from me. Drink Coca-Cola, because if you drink Dr Pepper or Pepsi-Cola you're going to die. It's the only product"? They preach for their parish, and I can accept that.

Where I have difficulty is with the sequence chronologically, the sequence of events from the time the Provincial Auditor urged the ministry to negotiate better oxygen prices. Add to it the directive of the deputy minister and the board, Michele Noble, the secretariat, and the manoeuvring. Then tendering became the real key.

Then I have the expediency. There are nine days before the directive laid out in this letter. That's what our chronology says here. It's easy to analyze. The ministry did as they were told to do. They are public servants. I'll change the tone: You put your best foot forward and follow the directive. The thing is, you don't know which directive to follow, do you? You've got to satisfy beyond the generic, because when you act for the second time it should make you nervous. The third time, you'll miss that cuddly feeling of your mom. You don't want to be here. You say nice things but you really don't want to be here.

You're going to come back a fourth time, if we have our say. That's our party; we can only speak on behalf of our party, the small lot we are at present. We wish to have an independent — we'll get the tendering off the hook, to be honest with you. That's not the real thing. We're more concerned about process than we are about whether you tendered or not. We feel that the community, the users are well served.



Suffice it that we want an independent audit, if you wish, or study of the money which flows from the taxpayers of Ontario into your books, to the suppliers. Where is the appropriation? We're not about to start treating you like the OMA or the OHA. The analogy, the parallel of the gall bladder etc to us doesn't mean that much. It's not filled with validity for us.

You are suppliers of oxygen. We're not that concerned because we don't know which of the 10% or 15% it is who are on oxygen and shouldn't be. That's not our role here. Our role is the recommendation of the Provincial Auditor and the taxpayers of Ontario getting value for money. We want an independent someone to go and look at your books in the association, because otherwise you're going to be revisited. We're going to recommend that this go by motion, that this go on and on and on. You don't need that and we don't need that either. There is \$57 billion spent in this province each year, so we have other places to look at.

1130

**The Chair:** We still have about six and a half minutes.

**Ms Martel:** Would you mind re-reading the last two lines of the presentation you made for the committee this morning?

**Ms Lindberg:** About the audit?

**Ms Martel:** Yes.

**Ms Lindberg:** "The ministry has raised this matter with the Ontario Home Respiratory Services Association and we will be working jointly with them and the Provincial Auditor and the Ministry of Health auditor to address the concerns and issues that are being asked."

**Ms Martel:** So we're going to get some kind of independent look at it.

**Ms Lindberg:** An independent accounting firm is what we were suggesting.

**Ms Martel:** Let me raise this with you, because I am really distressed by the process that has gone on around this whole issue. It seems to me that would have been the smart thing to do in the first place. The auditor made a recommendation in 1996 that the ministry should initiate a review of rates, and the ministry itself agreed that should be done in preparation for the negotiations that were to replace the existing agreement, which was due to expire in March 1998. Then in September 1996, we find, lo and behold, that the ministry has introduced a new rate without that kind of substantial review being done, which begs the question why, especially after the auditor said that a more thorough review should be done and the ministry agreed with that.

It seems to me that if the ministry had done that in the first place and left the existing agreement in place up to the expiry date at that time, we might not be here right now asking for an independent review or have had to ask you back here three times to get at that issue. My first question is, why did the ministry in September 1996 initiate a new rate contrary to what the auditor had requested and contrary to what the ministry itself had told the auditor they were prepared to do?

**Ms Lindberg:** In fairness, I'm not sure Gordon or I can answer that question. I understand what you're saying, but we came here today to offer that we will engage an independent accounting firm, asking the Provincial Auditor and our own Ministry of Health auditors to work with us to develop the terms of reference to ensure that we can address the concerns you have raised.

**Ms Martel:** I'm not blaming you. I'm sure there are other people who should be taking the fall. My colleague is right about de Guzman in terms of who is here to now accept the fallout. But I can tell you that for me, that has been one of the prime sources of concern, frustration and frankly anger. We wouldn't be here for the third time if the ministry had done what it said it would do and what it was supposed to do, and this committee would have had a lot more comfort than I think we're feeling today.

Second, I continue to be concerned about the process that occurred around the tendering issue. When the ministry was here on March 6, questions were raised by committee members about tendering. The ministry staff at the time said they did not think they had to go to Management Board to get an exemption from the directive around tendering. But the ministry staff at that time also gave an undertaking to approach Management Board and get some clarification with respect to that issue.

Before a reply from Management Board was even received by the ministry or by this committee, as we had made that request, a letter went out from Minister Wilson to the association to confirm that the existing agreement that had been arrived at on April 1, 1997, was going to stay in place until the year 2000. The top of his letter to Mr Sperry says, "Thank you for your letter and brief expressing concerns about tendering for home oxygen services," obviously a direct reply to the association about their concerns around tendering. I have some real concerns that nine days before we got a reply from Michele Noble about whether or not the ministry should have implemented tendering, this letter went out.

You can see that the perception left for us to assume as committee members is that we've got some kind of sweetheart deal here that the minister wants to keep in place. I know my friends from the industry will disagree because they will say, "We're not making any money," but the perception that's left for the committee is that before we even get a reply about the issue of tendering, Wilson sends a letter confirming that "The current agreement is going to stay in place, so don't worry."

I am really curious to know on whose directive that letter went out before the ministry or this committee had a response to its concern and question around the issue of tendering.

**Ms Lindberg:** I can't answer your specific question, but what I can tell you is that because we extended the contract we have — it is a binding contract on us. Even Michele Noble says that in her letter back which says we should follow directives. If you look at her letter, on the last page it says as well, "We are obligated to maintain the current services to the year 2000," but that we should follow the directive. "We understand that the commit-



ments made to OHRSA preclude any changes in home oxygen prices before March 2000." That's what her letter says to us.

We did have a commitment to the organization because we signed the deal earlier. The minister was just confirming that we had a commitment that we felt we were obligated to meet. We actually had a legal opinion on that so we would be sure we weren't — I'm not trying to persuade you on perception. I'm just saying we have a legal opinion that said we must and should maintain this contract to March 2000.

**The Chair:** I must move on. I'm sorry, Ms Martel. We will now alternate questions.

**Mr Shea:** Thank you, Chairman. I appreciate your coming back to me. I had a chance to go over some of the other documents to refresh my memory. Clearly, what all of us are interested in, and I suspect this includes both ministry officials and the industry, is the best arrangements for Ontario patients; we are interested in the best price for Ontario taxpayers. We are not wishing to put the private sector out of business or create a situation to lose jobs, but there is a process, a protocol we're concerned about, that we have a reasonable need to ask questions about.

Clearly, the issue of tendering is one this committee has wrestled with. It looks as though there seems to have been something that went awry. Whether one approached Management Board or not, and why not, is a question that really ought to be engaged in discussion at some point. But there's another part to the sidebar about tendering and whether tendering is reasonable or not in this instance. When we listened to the industry today, it at least raises some sufficient questions to say, "Are you able to tender effectively or not?" I think that's at least fair for us to wrestle with, either in this committee or elsewhere, because that was a fair rejoinder.

As I talk to my great friend and colleague from the empire of Nipigon, I share his concern: Are there ways, for example, that we can tender regionally? My concern in response to him was, if I do that, do I place northwestern Ontario in jeopardy because it has a different economy of scale than elsewhere?

Those are the kinds of issues we have to approach very carefully, not just driven by raw objectives and statistics. I have a sense that your ministry is trying to do that, but I still need more comfort; my comfort level is still not high yet at that point. And I am concerned to ensure that all Ontarians benefit from the economies of scale.

The issue of accessibility is one that is of real concern to me, to make sure that wherever you are in this province you have access to it. I'm not interested in Metropolitan Toronto or the GTA constantly subsidizing everything and everybody everywhere —

**Mr Patten:** It's the other way around.

**Mr Shea:** — but on the other hand there is a responsibility involved in equalization payments, and I accept that responsibility with generosity. I'm prepared to engage Mr Patten in that debate any time, any place.

Having said that, the costs and benchmarking of quality are also of concern to me: modality choice, who drives that, whether it is the patient, whether it is the physician; or if it's statistics that are internally driven, that concern is worth considering. But here is the concern that really overrides much of my questioning in the first instance. I think what we've got today are the midline players. I don't want to be discourteous to the gentlemen who appeared here today, but these are not the players I want to get my hands on and look at.

**1140**

On page 2 of the report I find something that would occupy, Chairman, a great amount of time of this committee somewhere else. It's in the second paragraph and it moves on, and we start taking a look at the first phrases to get my attention, "There are five multinational companies." I flow from that. Isn't that interesting?

Let's take a look at the relationship of those companies to not just the players here today but the others represented. We take a look, for example, at Medigas, which is owned by Praxair. That is an American firm, meaning the United States of America, which has 31% of the market share. VitalAire, 50% owned by the Republic of France, that is Air Liquide's 50%, which has 25% of the market share. Respirecare is German through Messer; that's 9%. The Home Care service, again the Germans at 6%. At that point I'm up to 71% and I'm beginning to take a look at where the other 29% comes from. I don't know where they are from.

I want to start taking a look at these interrelationships and how they have impact upon the market share in our community. For example, maybe you could start by answering my question: Is any liquid oxygen or is all liquid oxygen manufactured in Ontario? What percentage is imported, for example?

**Ms Reilly:** The association would be invited to correct me if I am incorrect, but probably the manufacturing is done in Ontario even though they are multinational companies.

**Mr Shea:** So we are looking at the large corporate structures and then their own corporate relationships in terms of some of the companies here today and a number of others.

Where would the 29% of the market not identified in the figures you've given us settle out in terms of the economy?

**Ms Reilly:** There are public hospitals that are also —

**Mr Shea:** Yes, and how much would that account for? You did indicate them in the report.

**Mr Kumagai:** It's 2% or 3%, I believe.

**Mr Shea:** That's 10% of the 29%.

**The Chair:** One very short question, Mr Shea, please.

**Mr Kumagai:** And there are a number of small, independent companies.

**Mr Shea:** Have they been showing signs of declining?

**Mr Kumagai:** There are fewer of them. That is my understanding.

**Mr Shea:** Chair, there is not time for me to do it in one minute, so that's fine. I'll be back on this one.



**The Chair:** Thank you. Now we'll move on to the official opposition.

**Mr Lalonde:** I have one comment and two questions. You just mentioned that in Michele Noble's letter she said we're tied up until the year 2000. This is a matter of interpretation, because that is not the way it is written: "to ensure that our future actions are in compliance with the directives." That doesn't mean — in every contract there's an escape clause of 30 days. If we haven't proceeded properly according to the directives that exist, that does not prevent us from going to tendering service.

Who is to decide which type of oxygen is to be given to the patient? Is it the company, is it the patient or is it the physician?

**Ms Lindberg:** Oxygen is ordered by a physician. It is like a drug and it has got to be prescribed by a physician. The physician usually, with the patient and the supplier, will make a determination —

**Mr Lalonde:** And the supplier.

**Ms Lindberg:** An analogy I can make, because I know more about it, is that as a pharmacist I can talk to the physician and say that instead of using this drug we could use this generic, which would be a cheaper modality. I think that is the role of the supplier.

The supplier does not determine the criteria under which the patient will get oxygen. The physician orders the oxygen. The supplier can work with the two of them to decide what is the best modality based on their activities, their quality of life, where they would be, who is there to help them if they're living by themselves, independently, versus having somebody there who could live there to help them move the oxygen around. Those are the kinds of things they take into consideration when they make that decision about the modality. The decision is made mostly by the doctor and the patient, with some input from the service provider.

**Mr Lalonde:** It has been known that companies are there to make a buck. Service to the customer is very important, but they are also there to make money. If you go to rural areas, most patients don't know their rights. They will go according to what is recommended by the company. I would say that up north and in eastern Ontario, where people don't have access or cannot read or understand English most of the time, they will accept whatever is recommended by the company at the cheaper rate.

Is it possible for the ministry to supply each member of this committee a copy of the criteria to qualify for the oxygen?

**Ms Lindberg:** Yes, we can.

**Ms Martel:** I just want to follow up from where I left off in the last round of questioning. You said that the ministry had obtained a legal opinion that the contracts that had been signed with the suppliers of the association were legal and binding until the year 2000. Can I ask when the ministry got that legal opinion?

**Ms Lindberg:** From our own legal services.

**Ms Martel:** When, not where.

**Ms Lindberg:** I'm not sure. I'll have to go back. I don't have it with me.

**Ms Martel:** Let me tell you why I'm asking. You are telling us that today. Fine. On March 6, when the ministry was here, Mr Cox, who is no longer in your employ, told the committee, "We could break those contracts and tender tomorrow." He told us one thing on March 6, but you have said there is a legal opinion. We don't know when that is from; perhaps it's after March 6.

**Ms Lindberg:** The agreement does provide a 30-day right of termination. However, because we have extended the agreement to the year 2000 by a minister's letter that says we have a good-faith binding agreement, like we would with any other association, that doesn't mean we couldn't terminate those contracts. We could terminate them. However, we would be into legal jeopardy and we would be taken to court. The advice is that it would be better to sustain that until the year 2000 and not be taken to court by the organization with which we signed a good-faith binding agreement. The legal opinion does not say there isn't a 30-day termination clause; there is.

**Ms Martel:** Let me say this, though you're the wrong people for me to direct this to: The other, major problem I have seen throughout this whole process is that consistently the committee has felt that we were either not given the proper information or that information was not forthcoming unless we really dug for it, that every effort was made to give us a hard time in trying to sort this issue out.

You're the wrong person to say that to, but I cannot tell you how frustrating this experience has been in dealing with this issue. I've been a member of public accounts for 10 years and I have never seen us have to fool around in such a way and call the ministry back the way we have on this issue. I hope the ministry is going to get under way with getting the independent audit and getting the information so that when it comes time to do this again, it can be done properly and it can be done in a way that gives the auditor some confidence around the pricing.

I have to say that whoever was responsible for ring-leading the effort of coming here and giving us or not giving us information really has a lot to answer for. I think the way the committee has been treated is unacceptable and has certainly led to our going way down the road in recommending tendering, because we felt we couldn't get the right information or that it was being blocked every step of the way. I don't expect you to answer that, because you are not the person who should be blamed for that, but that is certainly how I feel right now about how all this has come about.

1150

**Ms Lindberg:** I will certainly take back your concerns so that we don't have a repeat of this.

**Mr Pouliot:** I could add to the 10 years; I've been on this 13 years. I have an experience, in lifelong learning, something quite like this, but I don't wish to be *mélodramatique*, to put everything into a catastrophe.

Madame, you are most credible. The people who work with you are the same. As my distinguished colleague Ms Martel has said, it's not individuals; it's how do we get to this? I too am not satisfied, but I won't go as far as to say that lip-service was paid and what about the committee? I



don't vex easily. It's not my nature. Nor do I ulcerate; my job is to give other people ulcers, not to get them.

We have now the satisfaction that independents will do some examination and report to the committee, not in the fullness of time but at the appropriate time. We know what the timetable is. I can now say that I am satisfied. This is no big deal here. The thing is, as we started to get some information it took on extraordinary proportions. More questions were raised. Had we been able to focus on the subject matter being addressed, ie, the recommendation from the Provincial Auditor, if we had committed to action directe we not have had encore after encore and this eternal repetition.

We became suspicious. That's not too strong a word. Then we asked some more questions, started to dig and to find out more. Through it we've learned a great deal about the process, but never had we the intention to mobilize a good part of the ministry for — there are two other players. How many people do you have working there? Now you bring people from the industries. It's the offspring; we used to say the son of a so on. This is getting to be a little long.

I'm satisfied — but I say this with a degree of reluctance — thanks to your good office. We would make a motion, some of us would, to please come back again every three months, but this is not nice. Next time the Provincial Auditor comes up, we don't wish to make your life or our life any more miserable than it already is. Thank you for your visit.

**Mr Grimmatt:** Mr Chairman, we have a suggestion, because I think we're getting close to the end of the day. We have some suggestions on how the committee might deal with this issue. I think Helen Johns has a motion.

**Mrs Helen Johns (Huron):** I just need to ask a question first of you. Can you tell us how long it will take to get the results of the two studies you have indicated you are proceeding with? One is a study that looks at the needs of the patients with respect to the liquid oxygen and the other. The second is the independent audit. Can you tell me how long you think would be a reasonable time for those two to be accomplished?

**Ms Lindberg:** I know the assessment one is September 1998. There are two phases to it, but it will take them till September 1998. They have to do it as tests first and then move it out, so it'll be September 1998 on the independent assessment.

On the audit I can't really tell you. It shouldn't take us any more than probably six or seven months.

**Mrs Johns:** Would it be fair if we suggested a motion like this today: that we would like to hear the results of those two studies when they're accomplished, and we could put a date on it of October or November 1998, whatever number we have here, to get these two studies in, or to hear from one study and then the other, whichever way; to get the results of those two studies and then to understand from the Ministry of Health what they are preparing to do with the next contract?

We all feel very strongly that we want to ensure that every stone is looked at prior to the next contract being established. It would be our motion on this side, and we're certainly prepared to negotiate, that the Ministry of Health come back in October 1998 with two studies, and that we get the studies as soon as they are prepared, so if one's done earlier it comes to us earlier; the two studies, with some recommendations about how they would like to proceed with the next negotiations in this area.

**The Chair:** Did you say October 1998?

**Mrs Johns:** Yes, because the second study will not be out until September 1998. That's why I suggested October.

**The Chair:** We can deal with this today or we can deal with this when we meet next Thursday to continue our report writing. It's really up to the members to decide.

**Mr Grimmatt:** While it's fresh in our minds, did you have some suggestions?

**Mrs Johns:** Do you have some changes you'd like to recommend?

**Mr Pouliot:** I certainly acquiesce. A second review will not be ready. In a broadly summarized form, Mr Peters, are you satisfied?

**Mr Peters:** Yes, the only part I'm a little bit at a loss over is what we're going to do with Ms Martel's questions about the cost. Should we in the meantime get the costs? Should this all be stalled until the costs come? That's why I'm a little bit unclear right now. You made a request, I believe, to have the costs of supplying, the service costs versus the equipment costs, analysed.

**Mr Shea:** I think it's all subsumed in the motion. I think it's all there implicitly. The ministry knows what to do.

**Mrs Johns:** With all due respect, and maybe I'm incorrect, with the audit portion that's coming through I think we would expect to have those numbers in that.

**Mr Shea:** They'll all tumble in.

**Mrs Johns:** That's what I've moved.

**The Chair:** Any further debate? All in favour? Against? Thank you.

I'd like to thank the ministry and also the Ontario Home Respiratory Services Association people who have joined us this morning.

This completes section 312. Next week we will continue to write our report. Ms Campbell would like to add a few words.

**Ms Elaine Campbell:** We could send out a memo next week to the members reminding them of what is left to do, but just to briefly summarize, the committee looked at 13 sections of the auditor's report. Nine of those sections have been examined twice. There are four that are left to look at a second time, one being the assistive devices program, the other three being alternate payments, drug benefits and independent health facilities. That's the status of the draft report writing process.

**The Chair:** Thank you, Ms Campbell. This committee stands adjourned until next Thursday at 10 o'clock.

*The committee adjourned at 1158.*



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## **Legislative Assembly of Ontario**

First Session, 36<sup>th</sup> Parliament

## **Assemblée législative de l'Ontario**

Première session, 36<sup>e</sup> législature

# **Official Report of Debates (Hansard)**

Thursday 20 November 1997

# **Journal des débats (Hansard)**

Jeudi 20 novembre 1997

## **Standing committee on public accounts**

Audit Amendment Act, 1996

## **Comité permanent des comptes publics**

Loi de 1996 modifiant la Loi  
sur la vérification  
des comptes publics

Chair: Bernard Grandmaître  
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## LEGISLATIVE ASSEMBLY OF ONTARIO

## ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON  
PUBLIC ACCOUNTSCOMITÉ PERMANENT DES  
COMPTES PUBLICS

Thursday 20 November 1997

Jeudi 20 novembre 1997

*The committee met at 1010 in room 228.*

## SUBCOMMITTEE REPORT

**The Vice-Chair (Mr Richard Patten):** Good morning, everyone. A representative from the NDP will be a little late, so we'll proceed; we have six members. Everyone has an agenda before them. What's not listed on there is the brief report of the subcommittee. Do all members have a copy of that? That was the subcommittee which met October 7 and at that time agreed to proceed with the consideration of private member's Bill 74, which is of course An Act to amend the Audit Act as follows:

"That public hearings and clause-by-clause review be conducted on November 20, 1997" — which is today.

"That a press release be issued" — which was done — "as well as notice that consideration be placed on the Ontario parliamentary channel. Individuals or organizations interested in commenting on the bill were invited to provide their names to the clerk. Written submissions will also be requested.

"The clerk will invite the Provincial Auditor and the Speaker to appear before the committee to provide comments, as necessary.

"The sponsor of the bill, Bernard Grandmaître, will make an opening statement on the bill."

I need a mover to adopt this report.

**Mr Bill Grimmett (Muskoka-Georgian Bay):** So moved.

**The Vice-Chair:** It's moved. Any debate? All in favour? It's passed.

## AUDIT AMENDMENT ACT, 1996

LOI DE 1996 MODIFIANT LA LOI  
SUR LA VÉRIFICATION  
DES COMPTES PUBLICS

Consideration of Bill 74, An Act to amend the Audit Act / Projet de loi 74, Loi modifiant la Loi sur la vérification des comptes publics.

**The Vice-Chair:** We're here then to consider Bill 74, which is An Act to amend the Audit Act. I'd ask the sponsor of the bill, Bernard Grandmaître, if he would like to make any opening comments.

**Mr Bernard Grandmaître (Ottawa East):** I'm not as well organized as the Provincial Auditor. I don't have printed comments, but I will be brief and to the point.

Mr Chair and members of the committee, as you will recall, I first introduced my bill on June 12, 1996, and it received unanimous support in the House. My amendment to the Audit Act is a very simple one, and I think will certainly help the government of Ontario to be more transparent, more open, with the public and bring about a better understanding of what this government is trying to do.

My bill was first introduced, as I said, on June 12, and the reason: People are asking our governments at all levels — municipal, provincial, federal — to be more accountable.

Every day, every minister who stands in this House promoting his or her business plan also uses the word "accountability," which is very important to all of us. They want people to better understand what this government is doing. This government, since taking power in 1995, has brought about some major changes, such as Bill 26 and right now Bill 160, which give the government more powers and also create partnerships. I agree with partnerships. I think these partnerships should be open. In other words, is the government really responding to the needs of the people of Ontario when they create these partnerships? As far as I'm concerned, a partnership is 50-50.

My bill will give the Provincial Auditor the possibility to look at these new programs, look at these partnerships and make sure that these services promised by the government are good services, good-quality services. Major changes have been brought about: fewer school boards, the transfer of responsibilities and sharing of these responsibilities.

What my bill does is amend the present Audit Act, or subsection 12(1) of the Audit Act, which reads as follows:

"The auditor shall report annually to the Speaker of the assembly after each fiscal year is closed and the public accounts are laid before the assembly, but not later than the 31st day of December in each year unless the public accounts are not laid before the assembly by that day, and may make a special report to the Speaker at any time on any matter that in the opinion of the auditor should not be deferred until the annual report, and the Speaker shall lay each such report before the assembly forthwith if it is in session or, if not, not later than the tenth day of the next session."



My amendment simply says that subsection 12.1(1) will now read as follows:

"The auditor may, in addition to any special report made under section 12.2, make a maximum of three additional reports in any year to the Speaker."

The auditor wants more clarity on whether the people of Ontario are getting a fair return for their tax dollars.

I think with what's happening in Ontario, especially in health care, education, people want to know more of the intentions of the government. I can recall that the Ministry of Health had a difficult time answering some of the questions, but as usual the ministries, the deputy ministers want to cooperate, not only with this committee but with the government, with the auditor, to bring about a better understanding of the delivery of quality services.

As I previously said, I received unanimous approval of the introduction of my bill by Elizabeth Bassett, Marilyn Churley, Lyn McLeod, Mr Bradley, Wayne Wettlaufer from Kitchener, John Gerretsen, Al McLean. I think this amendment is a fair one and I'm open for questions.

**The Vice-Chair:** Did you mean Isabel Bassett? You said Elizabeth Bassett.

**Mr Grandmaître:** I'm sorry.

**The Vice-Chair:** She may have a sister. I don't know.

**Mr Grandmaître:** It's another Liz.

**The Vice-Chair:** Thank you. In response to the advertising and request to appear, we have an important witness with us this morning, our Provincial Auditor, Mr Peters. Would you like to make some comments? Oh, you have some questions at this point?

**Mr Joseph N. Tascona (Simcoe Centre):** Mr Grandmaître asked if there were any questions. I have a question.

Honourable member, looking at this particular statute, have you determined what the cost will be of the three additional reports that are set out in subsection 12.1(1)?

**Mr Grandmaître:** To be very honest with you, I had a meeting with the Provincial Auditor advising him of my intention to introduce this amendment, but no additional costs were discussed. I think the auditor would be in a better position to answer that question.

**Mr Tascona:** Would you ask the auditor to respond to that for me?

**Mr Grandmaître:** Please, Mr Peters.

**Mr Erik Peters:** I'd be happy to. You will see in my presentation that we estimate the additional costs may go as high — but most likely that would be a total cap — as about \$60,000 a year, provided we go to three reports. Under the current circumstances, which I'll go into, it's probably not likely that we'll go up to as many as three.

**Mr Tascona:** In response to my question, I don't know if the honourable member has read Mr Peters's statement for today, but he's indicating an additional estimated cost of up to \$60,000 per year.

**Mr Grandmaître:** If three reports were tabled.

**Mr Tascona:** I think the question I'd like to ask, because it's not addressed — I think cost is an important issue — is what we're actually considering here, if you could tell me. You may not have discussed costs, but did

you discuss staffing complement, whether the auditor would need additional staff, or could he do these functions, which are reporting functions he's charged to do anyway under the statute, with the existing staff complement?

**Mr Grandmaître:** It's very difficult to put a price on accountability.

**Mr Tascona:** I'm not talking about price; I'm talking about staffing.

**Mr Grandmaître:** That's included in the cost, the \$60,000 —

**Mr Tascona:** That's true, but that's a separate issue. Did you discuss the number of employees he would need to do the job? Did he say he could do it with his existing staff complement or did he need additional staffing?

**Mr Grandmaître:** In his presentation I think the auditor will answer your question. As I said previously, I didn't get —

**Mr Tascona:** You never discussed manpower either?

**Mr Grandmaître:** No. I didn't get into the fine detail.  
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**Mr Tascona:** Could you ask, honourable member, if Mr Peters anticipates increasing his staffing complement or could he perform the functions with the existing staffing complement?

**Mr Grandmaître:** I'm sure in the presentation of the auditor, your question —

**Mr Tascona:** I'd rather deal with it through you.

**The Vice-Chair:** Let me suggest something here. All the questions, I believe Mr Peters —

**Mr Tascona:** I know, but I may not have the time at that juncture. I have an opportunity now, and if Mr Grandmaître doesn't know that, then perhaps he can ask the auditor. He's right there and he can answer my question.

**Mr Grandmaître:** Again, do you have a copy of —

**Mr Tascona:** No, but I may not have an opportunity when he does his presentation. I have an opportunity now to get an answer. I'd like to have an answer.

**Mr Grandmaître:** I don't understand your question.

**Mr Tascona:** The question is very simple: Do you anticipate increasing your staffing complement, Mr Peters, or can you do the work with your existing staffing complement?

**The Vice-Chair:** Excuse me. Mr Peters is here today as a witness to address the bill. We've had preliminary comments from the member. The questions you're asking, it seems to me, are addressing —

**Mr Tascona:** My question is to Mr Grandmaître and he hasn't got the answer. Mr Peters is there to respond.

**Mr Grandmaître:** No, I think I was very honest with you. I told you that I had not asked the auditor —

**Mr Tascona:** Why can't Mr Peters answer the question?

**Mr Grandmaître:** I think he'll do this in his presentation.

**Mr Tascona:** I don't want to wait for his presentation. I'd like to know now. Then I can ask you another question, sir. Can I have an answer?



**The Vice-Chair:** No, I'm sorry. I'm going to ask you to please show a little bit of courtesy. You're asking a question through a member. We have someone here for a presentation. We haven't begun to deal with the bill yet.

**Mr Tascona:** Mr Patten, I'm a Chairman also. I find it highly irregular. I'm here, and I have an opportunity to ask questions of the member. If he doesn't know the answer, he's got a person who can answer the question. Then I can continue my questioning of the member. I'm not going to short-circuit myself on that point. I'm being very courteous. I'm just asking for an answer — yes or no?

**The Vice-Chair:** Who are you asking the question of?

**Mr Tascona:** The question is to Mr Grandmaître and if he needs to refer it to Mr Peters —

**Mr Grandmaître:** The answer is no.

**Mr Tascona:** And that's on your understanding from Mr Peters that the existing staffing complement will not be increased by the addition of these reports?

**Mr Grandmaître:** That's not what I said. I haven't discussed the cost with the auditor. I think I'm being very honest with you.

**Mr Tascona:** Can you refer the question to Mr Peters so I can have an answer?

**Mr Grandmaître:** Mr Peters will provide you with an answer in his presentation.

**Mr Tascona:** I'd like to have the answer through you, so I can ask another question, which will lead from that.

**The Vice-Chair:** Address the Chair, please. Would you please work through the Chair.

**Mr Tascona:** Vice-Chair.

**The Vice-Chair:** Yes. I'm the Chair today.

**Mr Tascona:** Okay, Mr Chairman. Can you let Mr Peters answer that question, so I can continue to ask questions of Mr Grandmaître?

The question is very simple: Do you anticipate increasing your staffing complement as a result of this bill?

**The Vice-Chair:** Would you like to answer that?

**Mr Peters:** I'd be happy to answer that. As of this morning, I can answer no, I will not have to increase my staff complement.

**Mr Tascona:** Did you have any other discussions, Mr Grandmaître, with respect to what the Provincial Auditor anticipated in terms of what else he would have to do with his office to deal with this type of reporting function?

**Mr Grandmaître:** I think that's really the responsibility of the Provincial Auditor, because I have never worked in his office. I've been around for 12 years, and very few members really know how the auditor goes about in reporting. I think this would be better answered by the Provincial Auditor. Do you know how he operates in his office?

**Mr Tascona:** It's not my bill, sir. It's your bill. I just asked you the question: Have you discussed any other additional matters related to the operation of his office, how it would be impacted by the bill? I guess your answer is no.

**Mr Grandmaître:** My answer is a simple no. I don't know how he does his reporting. I did talk to him about extra staff and extra cost, but at that time the auditor

didn't have a precise figure and I'm just learning today that he wouldn't need any additional staff. I'm learning this, as you are.

**Mr Tascona:** Thanks very much, sir.

**The Vice-Chair:** Mr Peters, would you like to make your presentation now?

**Mr Peters:** Thank you very much. I am very pleased to be here today to offer my comments on your proposed amendments to the Audit Act — that of allowing the Provincial Auditor to report to the Legislative Assembly more frequently than annually. As you have indicated, your proposal would give the Provincial Auditor the discretionary authority to make up to three reports per year, in addition to our mandatory annual report. I also note that the bill retains the current special report provision for matters of pressing importance or urgency.

I would like to indicate at the outset that I am in full support of the principle of more frequent reporting. I believe this proposal to be a progressive step to modernizing the reporting process of the Provincial Auditor of Ontario. I say this in the belief that the proposal will allow my office to be of better service to legislators; in particular, to our chief client, you, the standing committee on public accounts, and through you to the taxpayers of the province.

The bill that is before you has been modelled after the federal Bill C-207, 1994, that amended the federal Auditor General Act. As well, the legislative auditors of Saskatchewan and Quebec are now reporting on a more frequent basis, and for several years, the Auditor General of British Columbia has been using a section of his Audit Act that is similar to our current special report provision to report on a more frequent basis than only once a year. With Mr Grandmaître's bill and what has recently transpired federally and provincially in British Columbia, Quebec and Saskatchewan, legislators across Canada are beginning to realize the benefits that come with more frequent reporting by their legislative auditors.

As a matter of interest, I recently had the opportunity to meet with Denis Desautels, the Auditor General of Canada, together with his senior management team. It was indeed a privilege. I was grateful that he let me meet with him. They discussed at length the impact on their office of what their experience was. They have almost three years' experience with more frequent reporting. Although they have had to deal with some adjustment pains, overall they consider their experience with the new reporting frequency as very positive.

According to the federal Auditor General, federal parliamentarians like him to report more frequently. As well, he told me that parliamentary committees, other than the standing committee on public accounts — and this is a very important point to me — make use of the now more frequent auditor's reports. This federal practice of other committees using the auditor's report is similar to a suggestion by the Ontario Financial Review Commission for the various committees of Ontario's Legislature when they deal with ministries' business plans.



I would now like to focus my remarks on the obvious benefits of the proposals that are before us.

Under the current annual reporting structure, matters reported could be up to two years old by the time they are before this committee for review. Moving to more frequent reporting, the public accounts committee would be able to review issues on a more current basis and thereby be allowed to make recommendations for improvement in a more timely fashion. Possible savings identified by the auditor or the committee could then be effected sooner than under the annual reporting structure. As well, from the committee's perspective, having more frequent, shorter reports to deal with rather than the one lengthy annual report will help you to prioritize your work and foster more regular reporting to the House.

From my office's operational perspective, reporting more frequently would enable us to spread our report-driven workload more evenly throughout the year. Our current report clearance procedure would remain the same under more frequent reporting. In other words, sharing and discussing our audit findings and recommendations with auditees would continue under the proposed audit reporting regime.

With respect to our current draft report clearance procedure, I should mention that we share the final drafts of our individual audit reports on which the annual report is based, not only with each responsible deputy minister, but we also send copies of all final draft audit reports to the secretary of Management Board. As a result, the government is fully informed several weeks before the tabling of my report of the subject matters, the draft observations, recommendations and the ministry responses to our recommendations on which the report to be tabled will be based. The authority for this reporting process is provided in section 18 of the current Audit Act, which provides as follows:

"The auditor may advise appropriate persons employed in the public service of Ontario as to any matter that comes or that may come to the attention of the auditor in the course of exercising the powers or performing the duties of auditor."

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In connection with our reporting process, the bill that is before us also includes a proposal in subsection 12.1(2) that would require the auditor to provide the Speaker with written notice of the subject matter of the proposed report. My interpretation of this proposal is that, since the government would already be aware of the potential subject matter of our reports to the assembly through our current reporting process described to you, the proposed notice to the Speaker would serve the following purposes:

It would provide sufficient advance notice of the subject matter of the proposed report for the benefit of all members of the assembly and also establish the actual tabling date.

If the above is the intention of the proposal in subsection 12.1(2), then it might be useful for the committee to discuss how the Speaker would advise the members of the

assembly as soon as he receives the notice of the proposed report.

I should also touch upon the issue of cost. Based on the experiences of the Office of the Auditor General of Canada, there will be some unavoidable cost increases to my office for printing and translation, but in light of the question I was asked, not for staffing. In our case, these additional costs should not exceed about \$60,000 per annum. In any event, whatever the additional costs, funding required by my office for more frequent reporting would be included in future estimates requests to be submitted to the Board of Internal Economy. This may be necessary in light of the fact that my office is by far the leanest audit office in Canada in terms of audit office cost per \$1,000 of government expenditure. My office's expenditures amount to 13 cents per \$1,000 of government expenditure. In comparative terms, audit office costs for each of the other Canadian legislative audit offices exceed 30 cents per \$1,000 of government expenditure.

I hope my comments have been useful and helpful to your consideration of Mr Grandmaître's proposal to extend the practice of more frequent reporting to my office. That concludes my formal and supportive presentation.

I would now be pleased to answer any questions the members may have.

**Mr Marcel Beaubien (Lambton):** Mr Peters, in your opening paragraph you mention that the Provincial Auditor has the discretionary authority to make up to three reports per year under this proposed bill, which I support, by the way. I agree with Mr Grandmaître when he says that we have to be accountable. I certainly do not disagree with that statement.

At the present time, under the current legislation, you also have the authority to do a special audit, provisions "for matters of pressing importance or urgency," as you state in your statement.

Then on page 2, in the second paragraph, it says, "Under the current annual reporting structure, matters reported could be up to two years old by the time they are before the committee for review."

I have difficulty rationalizing how one or two or three extra reports per year would eliminate the problem you're putting in front of us on page 2. I would imagine today, with computers and updated accounting practices, we have year-to-date expenditures and revenues and we should be able to pull out figures by pushing a couple of buttons. You seem to be concerned that some of the figures at times may be as much as two years old. Could you rationalize this for me? How are we going to resolve this particular problem by having more audits?

**Mr Peters:** I can answer this on a number of fronts. It is not a matter of more audits. All this act is really proposing is spreading the load.

I would just like to remind you that this committee has agreed to proposed amendments to the Audit Act that I brought forward. Those would have involved additional audits. But this particular bill, Bill 74, does not speak to proposed audits, it merely speaks to reporting frequency.



As you know, as far as the pure numbers are concerned, I report separately anyway. I report with an audit opinion on the public accounts of the province and of about 70 boards, agencies and commissions of the government. So it's not a matter of numbers. This largely pertains to issues that we want to bring to attention under section 12, the reporting provision of the act.

Currently, under the act, we are able to table our annual report only after the public accounts have been tabled by the Minister of Finance, before December 31. Value-for-money audits particularly require quite a bit of lead time. Ours is a lot shorter than that of many other audit offices, but it does require about six months' lead time as a minimum. That is in addition to having done a risk assessment of the area. By the time issues come before you, we may very well have conducted the audit work, say, in October of year one, and concluded on the work and reported and cleared it with the ministry by about February or March of the following year, but we cannot report to you under the current reporting regime until November or thereabouts. Then the schedule of this committee kicks in as well, and you may not get around to an issue like that until about the spring of the following year after that. That is under the current annual reporting regime.

We have not yet availed ourselves frequently of the provision for special reports that you referred to. We have not run into special conditions that warranted that kind of reporting. I'm not sure; I'm asking my colleagues. Since this act was brought in, in about 1977, there is no recollection of ever availing ourselves of that provision.

As well, I would think that currently practical considerations would probably allow us to report — I would envisage at the moment one additional report per year, in the springtime, as opposed to a series of tiny little pieces coming out all along, largely because of the reporting process. For example, we are one of the few provinces that still reports in French, and we are pleased to do so. That adds about a month to our production time, to have everything translated and properly vetted in the other official language of the province. So, in a practical way, it does not add to the audit, just to the frequency of reporting.

If I may add one other comment, for any professional auditor, the ideal situation for an auditor is actually to be able to report when ready. Any auditor would like to report when he's ready to report. But we are very pleased with this proposal, which formulates a practical approach, a practical compromise to report more than once a year.

**Mr Beaubien:** I thank you for your comments. It might be ideal for the Provincial Auditor to be able to report when he or she feels like it, but the act has been in place since 1970. There has been no urgency or matters of importance dealt with in the Provincial Auditor's report in the past 27 years.

Like I said, I support the accountability, but I fail to see where the taxpayers or the constituents of Ontario are going to benefit by reporting more often, especially when we have not called upon the act in 27 years because of urgency or matters of importance. That's the difficulty I have.

**Mr Peters:** Let me answer that very specifically in a dollars-and-cents way, if I may. Unfortunately I'm tabling my 1997 report on Tuesday, so I can only speak to 1996, which I tabled a year ago. In that report, as a minimum, we identified \$100 million of savings to the taxpayer. There is certainly a lot of urgency added to these findings by the work of this committee, but you won't get around to dealing with those until I'm finally annually able to report. That's not saying that the ministries are not starting to take action on these areas as we do them, but the work of this committee is very important to the ministries in providing that additional incentive to go ahead and achieve those savings.

Why should the taxpayer have to wait, because of this provision as it currently exists in the act, for two years or at least for half a year, as a minimum, to see the Legislature start to work on those savings? That's what I would consider a real, tangible benefit from this approach.

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**Mr Grimmatt:** Many of the points I was going to raise were discussed by Mr Beaubien in his questions. I want to say I have a lot of respect for Mr Beaubien, who has quite a business background. But from my experience on the committee, the issue of timeliness is a very significant one, and I want to congratulate Mr Grandmaître for bringing the bill forward in his private member's time, because I think this is a very practical step.

I'm interested in supporting legislation that would deal with the timeliness issue. We've certainly seen in the past year, in putting together our report, the problems that can arise when the auditor discovers a problem and doesn't really report it publicly until he puts his report out. Then we go through this process of reviewing it, going back to the ministry, reviewing it and reviewing it and reviewing it.

I have some frustration that the problem sometimes doesn't even get dealt with, because it takes so long to finally get around to endorsing the auditor's report. Sometimes the government changes or the ministry changes and you don't really get an opportunity to get at the problem. So I think the more timely reporting should have a significant impact. I think I'm perhaps being a little naïve as well, because you have to have the political will there to deal with the issues the auditor raises. Again, I congratulate the member for bringing the bill forward, and I'll be supporting it.

**Mr Tascona:** I'm certainly in full support of this proposed legislation. I think Mr Grandmaître is doing an admirable job in bringing this forth.

I have some questions for Mr Peters, though. Perhaps he can just provide me with his understanding of the language which is used in drafting this report to this committee. I refer you to the last page, if you can refer to that. "I would be the third full paragraph, which starts with, 'I should also touch upon the issue of cost.'" The reference in there to audit office cost is made on more than one occasion. What are your audit office costs? Do they include such things as printing and translation, or are those sepa-



rate matters? Can you just tell me what you would consider your audit office costs?

**Mr Peters:** Our total cost is just below \$8 million a year, \$7.8 million. That is a somewhat unusual amount because it includes a fair bit of rent, unfortunately, with a lease signed way back when, which runs well into the year 2000. That is the amount of money I'm spending, which, as I pointed out, is in relation to being the largest province. There are certainly a number of provinces which are spending a lot more.

**Mr Tascona:** What percentage of your total audit office costs is your rent?

**Mr Peters:** Off the cuff, without having looked at the records, it's over 10%.

**Mr Tascona:** The printing and translation are included in your audit office costs?

**Mr Peters:** Yes. Currently, I think we're paying — I don't know what the exact cost is — about 29 cents a word, or something like that.

**Mr Tascona:** Is that done internally or is it done externally?

**Mr Peters:** No, it's done externally. The federal office, for example, can afford to have a translator on staff, but their reports — the last report issued by the federal office, which was two additional reports combined, was well over 800 pages, and we are trying to stick around 300 pages.

**Mr Tascona:** What's your existing staff complement now?

**Mr Peters:** The existing staff complement is around 80.

**Mr Tascona:** That's 80 full-time employees, or is it made up of part-timers?

**Mr Peters:** Yes, that's 80 full-time.

**Mr Tascona:** Do you have part-time employees?

**Mr Peters:** No. We have some advisers from time to time, but I wouldn't rate that as part-time employment.

**Mr Tascona:** So advisers would be on contract?

**Mr Peters:** That's right.

**Mr Tascona:** Would they be considered consultants, or is there a difference?

**Mr Peters:** Yes, they fall under the consulting rates, or whatever Management Board is publishing. We are paying in accordance with those rates.

**Mr Tascona:** How many contract employees do you have now?

**Mr Peters:** Really only one, from time to time, and I have an advisory committee that is paid about \$200 a meeting whenever they meet, but they haven't met for two years.

**Mr Tascona:** Do you anticipate hiring a consultant to help you with this particular statute?

**Mr Peters:** No, it's the same consultant. We get help in editing.

**Mr Tascona:** You don't anticipate needing a consulting service or specialty advice on this?

**Mr Peters:** No, because it really has no impact on the direct audit work. It just deals with the frequency of reporting. The impact it will have on my office is largely

that we will now have to change the planning procedures. Normally, we plan one report a year, and it's clearly different if we plan more than one report a year. So it is the same staff. Right now, we're working on the basis that we have one peak a year, towards the report, and then we go through it. Now we'll have a number of small peaks and valleys.

**Mr Tascona:** In terms of real dollars spent, you say your total cost is just under \$8 million. Where do you stand against the other provincial offices and the federal office in terms of the total money spent?

**Mr Peters:** I'll show you a little chart. We're way at the bottom.

**Mr Tascona:** In terms of total money spent?

**Mr Peters:** Also in terms of total money spent.

**Mr Tascona:** My only question to you is, where do you stand with respect to the other provinces, including the federal government — one out of 11 — in terms of total money spent?

**Mr Peters:** On total money spent I don't have the exact number. In relation to government expenditure audit domain, I'm at the bottom.

**Mr Tascona:** No, just total dollars.

**Mr Peters:** I think right now I'm in fourth or fifth of the legislative audit offices in Canada, as the largest province. Ahead of me are such provinces as Alberta, British Columbia and Quebec.

**Mr Tascona:** They spend more money than you on their offices.

**Mr Peters:** In absolute dollars, they spend more money.

**Mr Tascona:** In other words, they spend more than \$8 million per year.

**Mr Peters:** Absolutely.

**Mr Tascona:** So we're ranked fourth or fifth in total expenditure.

**Mr Peters:** That's right.

**Mr Tascona:** When you say the Canadian legislative audit offices exceed 30 cents, is that an average, or how do you come up with 30 cents?

**Mr Peters:** No, that's per office. I would say we are dragging the average down, but I would think the average is closer to 40 cents.

**Mr Tascona:** How did you come up with 30 cents?

**Mr Peters:** Well, over 30 — for example, that's the nearest to the 13 —

**Mr Tascona:** Is that a median?

**Mr Peters:** The next office is around 30 cents.

**Mr Tascona:** Yes, but you say 30 cents. Is that a median figure?

**Mr Peters:** No. It's actual.

**Mr Tascona:** It's actual but it's not an average, so what is it?

**Mr Peters:** I have a visual. I don't particularly want to table it. I've tabled this with the Board of Internal Economy and I'm reminded very much by Mr Grimmett's point that this committee is not to discuss my budget, so I don't want to do that.

**Mr Tascona:** I'm not interested in your budget. I'm just asking for — you put it out there, 30 cents. How did you determine that?

**Mr Peters:** Just to give you a little bit of a visual, and I don't know whether you can see it from here, but on this chart the highest — and that's unfair; one should take off Prince Edward Island, because they have a relatively small budget. This is audit cost per office per 1,000. We are down here. We are that little blip down here.

**Mr Tascona:** I understand that. I don't want to be difficult, but how did you come up with 30 cents? Because that's not your budget. You're talking about the rest of the country.

**Mr Peters:** There are various ways of calculating this amount.

**Mr Tascona:** Just tell me one. I'm only interested in the way you did it.

**Mr Peters:** The way I did it is we spent \$56 billion; I just divided \$8 million into it, and you come to a number. If the federal government spends —

**Mr Tascona:** No, the 30 cents; your statement there, 30 cents per 1,000. "Other Canadian legislative audit offices exceed 30 cents per 1,000 government expenditure." How did you come up with that figure? What is it based on?

**Mr Peters:** That is prepared by doing the same thing; it's just taking, for example, the federal government expenditures, dividing the audit office —

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**Mr Tascona:** You put them all together, divided them by 11, or 10 —

**Mr Peters:** No, no, we didn't divide. This is just the individual. All I'm saying is that the nearest blip is over 30 cents, and then they go up to \$1.27 for PEI.

**Mr Tascona:** Okay, so who is at 30 cents?

**Mr Peters:** Canada and Quebec are relatively close to 30 cents.

**Mr Tascona:** Oh, I see.

**Mr Peters:** New Brunswick is higher than that; Alberta is close to 70 cents.

**Mr Tascona:** In terms of staffing, how do you compare across the country? You have 80 full-time staff. Where do you stand as one out of 11?

**Mr Peters:** I have a little chart on that one too. I come prepared to the Board of Internal Economy when I ask for money. The way we measure that is, how many dollars do I expect a staff member to audit in a year.

**Mr Tascona:** I'm just looking at raw data.

**Mr Peters:** That's raw data.

**Mr Tascona:** You say you've got 80 full-time. I expect all the other provinces have staff, so where do you stand as one out of 11? Are you number one or are there provinces with more than that you?

**Mr Peters:** No, we are again at the fourth or fifth position. We are now approaching Saskatchewan.

**Mr Tascona:** So you're fourth or fifth with respect to staffing in the country and fourth or fifth in terms of total expenditure in the country also?

**Mr Peters:** Yes. We are down — since we are on that questioning, there's one other chart that may be of interest. I want to show you this, if I may. This is starting with 1990. This is my staff complement and these are government —

**Mr Tascona:** Is that an eye test? I think you beat me.

**Mr Peters:** All I'm saying to you is that in 1991 my office had a staff of 115; we're now at 81.

**Mr Tascona:** Sorry, 115 what?

**Mr Peters:** We had 115 in 1990-91. We are now at 81. In other words, we have reduced staff in that period by 34. That is a whopping percentage, as you can appreciate. At the same time, government expenditures have gone from \$46 billion to \$57 billion.

**Mr Tascona:** Okay. Thanks very much.

**Mr Grandmaître:** You can go on with that.

**Mr Peters:** I can go on at length, but let me leave it there.

**The Vice-Chair:** Any further comments or questions for Mr Peters? No? Are we ready to proceed with clause-by-clause on Bill 74?

Legislative counsel, Mr Wernham, is joining us this morning.

Bill 74 is An Act to amend the Audit Act, presented by Mr Grandmaître. It's a private member's bill. Any questions, comments, or amendments to the bill, and if so, to which sections?

Shall sections 1 through 4 carry? Carried.

Shall the long title of the bill carry? Carried.

Shall Bill 74 carry? Carried.

Shall I report Bill 74 to the House? Agreed.

That is the quickest clause-by-clause I have ever participated in. Thank you kindly. Is there any further business?

We have just one final item. The auditor has tabled with us a report.

**Mr Peters:** I just wanted to let the members know that I am pleased to transmit today my report on the audit requested by a motion of your committee on January 30, 1997, pursuant to section 17 of the Audit Act, on the Ministry of Community and Social Services Report on Comparative Costs of Facility-Based Care and Community Living for people with Developmental Disabilities. I have a copy for everybody here.

**The Vice-Chair:** The subcommittee will review that report. There being no further business, the committee is adjourned.

*The committee adjourned at 1056.*



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Mr Peter L. Preston (Brant-Haldimand PC)

Mr Joseph N. Tascona (Simcoe Centre / -Centre PC)

#### Also taking part / Autres participants et participantes

Mr Erik Peters, Provincial Auditor

#### Clerk / Greffière

Ms Donna Bryce

#### Staff / Personnel

Ms Elaine Campbell, research officer, Legislative Research Service

Mr Chris Wernham, legislative counsel

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First Session, 36<sup>th</sup> Parliament

## Assemblée législative de l'Ontario

Première session, 36<sup>e</sup> législature

# Official Report of Debates (Hansard)

Thursday 11 December 1997

# Journal des débats (Hansard)

Jeudi 11 décembre 1997

**Standing committee on  
public accounts**

Appointment of subcommittee

Subcommittee report

**Comité permanent des  
comptes publics**

Nomination des membres  
du sous-comité

Rapport du sous-comité

Chair: Bernard Grandmaître  
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Président : Bernard Grandmaître  
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## LEGISLATIVE ASSEMBLY OF ONTARIO

## ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON  
PUBLIC ACCOUNTS

Thursday 11 December 1997

COMITÉ PERMANENT DES  
COMPTES PUBLICS

Jeudi 11 décembre 1997

*The committee met at 1003 in room 228.*

## APPOINTMENT OF SUBCOMMITTEE

**The Acting Chair (Mr John Gerretsen):** I'd like to call to order the standing committee on public accounts. I've been asked to act as your Chair since both our Chair and Vice-Chair are not available today. I understand that this is just an organizational meeting in any event.

We're here first of all to deal with a motion to appoint the subcommittee.

**Mr Peter L. Preston (Brant-Haldimand):** I move that a subcommittee on committee business be appointed to meet from time to time at the call of the Chair or at the request of any member thereof to consider and report to the committee on the business of the committee; that the presence of all members of the subcommittee is necessary to constitute a meeting; and that the subcommittee be composed of the following members: Mr Grandmaître as Chair, Ms Martel, Mr Lalonde and Mr Young; and that any member may designate a substitute member on the subcommittee who is of the same recognized party.

**The Acting Chair:** Is there any discussion on the motion? All those in favour? Opposed? Carried unanimously.

## SUBCOMMITTEE REPORT

**The Acting Chair:** Next, the report of the subcommittee. We have a report of the subcommittee here with three recommendations. I'll just read them in very quickly.

"Your subcommittee met on December 9, 1997, and has agreed to recommend the following:

"1. That the committee request time to meet during the winter recess, on February 18, 19, 25 and 26, to consider sections 3.01, 3.06, 3.10 and 3.13 of the 1997-98 annual report of the Provincial Auditor.

"2. That the committee consider one of the above sections on each of the four meeting days. The committee will begin with a closed-session briefing by the research officer and the Provincial Auditor, and the deputy minister and other appropriate staff of each respective ministry will be asked to attend the committee following the closed-session briefing to answer the committee's questions.

"3. At the next regular meeting of the committee when the House resumes meeting, the committee will consider the theme 'Managing Finances,' which consideration shall encompass the sections of the 1997-98 annual report of

the Provincial Auditor that fall under that umbrella (3.05, 3.06), the issue of the funding of the teachers' pension fund and the issue raised by Mr Phillips in his letter to the Provincial Auditor regarding the contingency fund. The initial witness to be invited to appear before the committee on this theme shall be Mr Michael Gourley, Deputy Minister of Finance, and other ministry staff as appropriate."

That's the subcommittee report. Discussion?

**Mr Preston:** I would move an amendment to section 1 to change the dates February 25 and 26 to any other dates that are suitable to the committee. Since this meeting there have been agendas set that will interfere with February 25 and 26.

**The Acting Chair:** So the amendment, then, basically will leave February 18 and 19.

**Mr Preston:** Yes.

**The Acting Chair:** Instead of February 25 and 26, the amendment is to put in there "two other dates that are suitable to the committee."

**Mr Jean-Marc Lalonde (Prescott and Russell):** Is that sufficient to take care of it or should they be advertised now?

**Clerk Pro Tem (Mr Todd Decker):** The committee can do that. The request to the House leaders and whips would be for two additional dates, to be determined by the committee. The committee would then have to be given the authority to pick the two dates.

**Mr Preston:** Has the Chairman read out the amendment that would suffice? All right, that's the amendment I move.

**The Acting Chair:** Okay. Any further discussion?

**Mr Erik Peters:** Chair, may I just make a quick explanatory comment? You'll probably notice in this that section 3.06, which deals with the Ontario student assistance program, appears twice. It appears in item 1 of the motion and it appears again in item 3. The reason for that — I'm venturing a guess here — was that it deals with the Ontario student assistance program and there is a part of the program that deals with collecting the accounts of defaulted student loans, and that is strictly a financial management matter. That's why 3.06 reappears in this section. I just thought that explanatory comment may be worthwhile for you to know.

**The Acting Chair:** Thank you for your information. What about getting back to the other issue of the amendment?



**Mr Lalonde:** I just wonder when we can decide on the other two dates, then? We know that at this time people are going away for vacations. I believe we should come up with a decision before the end of next week.

**Mr Preston:** The week before?

**Mr Lalonde:** We've already got dates in the week before.

**Mr Preston:** No, the week before the 18th and 19th.

**Mr Lalonde:** No, we couldn't. That was discussed at the subcommittee. There were going to be too many people missing.

**Mr Preston:** All right, then you're looking at the first week of March. When does March break start?

**The Acting Chair:** March break starts the week after that. The March break next year is the week of March 15 to 22. You could meet on the 11th and 12th. That would not interfere with March break unless you leave early.

**Mr Lalonde:** Would the 4th and 5th not be better?

**Mr Rosario Marchese (Fort York):** I'm not the regular member, so it's a bit of a problem in terms of understanding.

**The Acting Chair:** It's easy to set dates, then.

**Mr Marchese:** Obviously for me, as long as you choose two dates. But couldn't the subcommittee meet in the next day or two or next week to decide?

**Mr Preston:** It's only a matter of polling the regular members. Can we just leave the amendment the way it is, then?

**The Acting Chair:** Yes.

**Mr Marchese:** There's agreement that we have two extra days, obviously, and it's a question of just pinning those two days down. The subcommittee could meet, decide that and solve the problem.

**Mr Preston:** I'll buy that.

**The Acting Chair:** Is that agreeable, Mr Lalonde? You're one of the whips on the subcommittee, so maybe you could meet with the other whips over the next two or three days and sort that out before the House recesses before Christmas.

Okay. Is there any further discussion on the amendment, then? If not, all those in favour of the amendment? Carried unanimously.

Any further discussion on the motion, as amended? All in favour? Opposed? Carried.

**Mr Preston:** Maybe it's going to be a good year.

**The Acting Chair:** Anything else before the committee?

**Mr Preston:** Adjournment.

**The Acting Chair:** Meeting adjourned. Thank you.

*The committee adjourned at 1011.*





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### STANDING COMMITTEE ON PUBLIC ACCOUNTS

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#### Vice-Chair / Vice-Président

Mr Richard Patten (Ottawa Centre / -Centre L)

Mr Marcel Beaubien (Lambton PC)

Mr Gary Fox (Prince Edward-Lennox-South Hastings /  
Prince Edward-Lennox-Hastings-Sud PC)

Mr Bernard Grandmaître (Ottawa East / -Est L)

Mr Jean-Marc Lalonde (Prescott and Russell / Prescott et Russell L)

Ms Shelley Martel (Sudbury East / -Est ND)

Mr Richard Patten (Ottawa Centre / -Centre L)

Mr Peter L. Preston (Brant-Haldimand PC)

Mr Joseph N. Tascona (Simcoe Centre / -Centre PC)

Mr Terence H. Young (Halton Centre / -Centre)

#### Substitutions / Membres remplaçants

Mr John Gerretsen (Kingston and The Islands / -Kingston et Les Îles L)

Mr Rosario Marchese (Fort York ND)

Mr Bart Maves (Niagara Falls PC)

#### Also taking part / Autres participants et participantes

Mr Erik Peters, Provincial Auditor

#### Clerk Pro Tem/ Greffier par intérim

Mr Todd Decker

#### Staff / Personnel

Ms Elaine Campbell, research officer, Legislative Research Service

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### **1997 annual report, Provincial Auditor: Section 3.01, courts administration program**

Ministry of the Attorney General

Ms Andromache Karakatsanis, Deputy Attorney General  
Mr Murray Segal, assistant deputy attorney general, criminal law

## **STANDING COMMITTEE ON PUBLIC ACCOUNTS**

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Mr Joseph N. Tascona (Simcoe Centre / -Centre PC)  
Mr Terence H. Young (Halton Centre / -Centre PC)

### **Substitutions / Membres remplaçants**

Mr Bert Johnson (Perth PC)  
Mr Peter Kormos (Welland-Thorold ND)

### **Also taking part / Autres participants et participantes**

Mr Erik Peters, Provincial Auditor

### **Clerk pro tem / Greffier par intérim** Mr Douglas Arnott

### **Staff / Personnel**

Ms Elaine Campbell, research officer, Legislative Research Service  
Ms Anne Marzalik, research officer, Legislative Research Service  
Mr Viktor Kaczkowski, committee clerk

*The committee met at 1037 in room 228 following a closed session.*

## **1997 ANNUAL REPORT, PROVINCIAL AUDITOR MINISTRY OF THE ATTORNEY GENERAL**

Consideration of section 3.01, courts administration program.

**The Chair (Mr Bernard Grandmaître):** Good morning, everyone, and welcome to our open session. This morning we'll be dealing with section 301 of the 1997 annual report of the Provincial Auditor, the courts administration program. This morning's witnesses from the Ministry of the Attorney General are Andromache Karakatsanis, Deputy Attorney General. How badly did I mess your name up?

**Ms Andromache Karakatsanis:** Not too badly.





**The Chair:** Not too badly. Now I invite you to pronounce my name correctly.

We have Heather Cooper, assistant deputy attorney general, courts administration; Angela Longo, assistant deputy attorney general, business improvement; Murray Segal, assistant deputy attorney general, criminal law; and Brent Gibbs, director, program development branch. Who will lead off?

**Ms Karakatsanis:** I will lead off with some comments.

**The Chair:** Would you repeat your name for me? I'm interested -

**Ms Karakatsanis:** Andromache Karakatsanis. I'm the new Deputy Attorney General.

**Mr Peter Kormos (Welland-Thorold):** It's those Anglo names I have trouble with.

**Ms Karakatsanis:** It's my pleasure to address this committee to respond to the observations by the Provincial Auditor on the administration of Ontario's courts. I know all the members of the committee agree that the justice system is fundamental to the quality of life we enjoy in this province. It's fundamental to the safety of our communities and to the competitiveness of our economy. It also embodies and anchors some of the most cherished values of our society. The government is working to build a modern, more accessible, more effective justice system, a system that will increase the security of Ontario communities and support the prosperity of the province.

The business of the Ministry of the Attorney General is multifaceted and complex, encompassing responsibility for the administration of justice as well as the provision of justice-related services. The ministry co-ordinates the operation of court services through a network of court offices around Ontario, including criminal, civil and family courts. The ministry also coordinates capital projects to modernize court facilities. Through crown attorneys across the province the ministry prosecutes cases under the Criminal Code, the Young Offenders Act and provincial statutes.

Due to our links to the courts and our legal expertise, the Ministry of the Attorney General has been given responsibility for a range of programs to assist victims of crime and protect the interests of vulnerable children and adults. In addition, we provide legal services to the government of Ontario and appear on behalf of the government in civil and constitutional litigation before tribunals and at all levels of court.

As the Provincial Auditor observed, the justice system is undergoing major restructuring and powerful trends are driving this process. Currently, the justice system is large and unwieldy. It hasn't significantly changed in the past century. In Ontario, eight in 10 people express at least some fear of becoming a victim of crime in their own community, and nearly one in four report actually being a victim of crime in the past two years.

Civil suits, in some cases, are not resolved for up to five years, delays that result in great financial and emotional costs to individuals and witnesses. Furthermore, the civil system is getting beyond the financial means of the average person and even small business, with a typical civil suit costing the plaintiff \$38,000 in legal fees to recover, on average, a \$55,000 judgement.

Public sector fiscal reality is also a driver of change. The deficit and debt, those facts of life, have forced all public institutions, including the justice system, to take a close look at our full range of activities to ensure that we are both doing the right things and doing them right. Many jurisdictions are facing similar imperatives to meet rising public expectations at an affordable cost, and like them, we are responding by making some real changes in the way the justice system does business. We're focusing resources on services that matter to most Ontarians, re-engineering operations to obtain the best value for every tax dollar and deploying technology to increase efficiency and improve customer service.

We are doing this in partnership with our vast array of stakeholders and partners - the legal profession, the judiciary, the police, business, community groups, victims of crime, and the public. I might add that we're greatly encouraged by the strong support for change that exists among our partners in the system. Some recent steps we have taken to make the courts more responsive, more accessible and more efficient





include the following:

Working with the judiciary and other partners, we have expanded the number of domestic violence courts in the province to improve the manner in which the justice system deals with domestic violence and to break the cycle of violence.

Five courts opened, modelled after the two specialized courts that existed in North York and Toronto, and a sixth will be opening shortly.

Since 1995 we have increased the number of victims receiving assistance as cases proceed through the court process by 43%. We've doubled the number of victim/witness assistance program offices from 13 to 26.

Last September we launched the telewarrant centre. Police officers anywhere in Ontario can now fax an application for a search warrant to the centre when it is not practical to appear personally before a justice of the peace.

We have undertaken the first comprehensive review of legal aid since its inception in the 1960s, leading to the McCamus report, released in September, and we have since then consulted with over 100 key stakeholders, including the Law Society of Upper Canada, which currently runs the program, on the recommendations in the report.

As well, we have committed nearly a quarter of a billion dollars to courthouse construction in Toronto, Hamilton, Brampton, Windsor, Cornwall, Welland and Pembroke and, as announced in January, in Brockville, Chatham and Owen Sound. The new facilities will provide faster and easier access to the justice system, improve public safety and security, and address some long-standing building deficiencies.

We've moved forward with civil justice reform in line with the recommendations in the Civil Justice Review, an in-depth study that was completed late in 1996 which involved extensive public consultation. For example, we've introduced case management for 25% of the cases in Toronto and 100% of cases in Ottawa to speed up the time it takes to resolve cases by shifting responsibility for the pace of litigation from the lawyers to the judiciary.

We have announced the implementation of mandatory referral to mediation of civil law and family cases across the province over a multi-year period. Mediation will provide litigants with a wider range of options for settling disputes earlier in the process as a quicker and most cost-effective alternative to court, and an opportunity, even where it doesn't finally resolve the case, to narrow the issue.

Finally, in partnership with the bench and bar, we've launched an electronic filing project in Toronto with 84 law firms participating. Electronic filing permits lawyers to file documents with the court without leaving their offices and that's expected to result in savings for litigants in civil matters.

A number of our change initiatives relate directly to the points raised by the Provincial Auditor in his report last November, if I can take a few moments to review the major findings of the auditor, together with the ministry's response.

The Provincial Auditor highlighted a long-standing issue with his comment that the justice system can no longer function effectively in Ontario unless and until clear lines of responsibility and accountability between the judiciary and the ministry are established to deal with all administrative, financial, budgetary, and operational matters relating to court administration in the province. This recommendation echoes the recommendation in the Civil Justice Review for the creation of a unified administrative management and budgetary structure, which we've taken to calling a court services agency.

Calls for the reform of courts administration have been heard for the past two decades or more. At the heart of the problem is that both judges and government play administrative roles in the system, and the judiciary is responsible for operational tasks bearing directly on their judicial functions, such as scheduling cases and assigning judges and courtrooms. The Supreme Court has held that these functions





are necessary to preserve the independence of the judiciary. At the same time, the Ministry of the Attorney General is responsible for the infrastructure required for judges to do their job. Staffing, budgeting, physical facilities, support services are administered by the ministry.

The Civil Justice Review stressed that this dual structure is incompatible with sound management and the report observed that this problem reaches beyond the civil court to encompass the whole of the court system.

A little over a year ago the heads of court - by that I mean the chief justices and chief judges - and the Attorney General set up a working group to look into the feasibility of reforming the management structure for court services. The working group considered how an independent court services agency might work.

The group, and I co-chaired that group, developed a concept that included a board of directors representing the judiciary, the government, the bar and the public, and a professional staff reporting to the board through an executive director. The plan called for the creation of system goals and standards, together with a range of accountability mechanisms such as corporate and strategic plans and performance measures.

The group also suggested possible ways to protect judicial independence, such as a judicial veto in constitutionally protected areas.

The ministry was prepared to proceed to the planning stage for the model developed by the working group. The heads of court, however, expressed reservations about whether it would be appropriate for them to sit on the board or participate directly in the management of a court services agency.

We welcome the recent interest expressed by Chief Justice McMurtry at the opening-of-court ceremony in January to now pursue the development of a court services agency that in his words "would provide a stable, arm's-length foundation for the professional and independent administration of the courts."

We were encouraged that Chief Justice LeSage strongly supported those comments and the chief judge of the provincial court is also very enthusiastic about the initiative.

We are meeting with the heads of court soon to consider how to resume working on the creation of such an agency, but the bottom line must be, as the Provincial Auditor recommends, that there must be clear accountability and responsibility for the management of court services. We look forward to making some progress on this initiative in the coming year.

**1050**

Another concern expressed by the auditor was what he viewed as the potential for another Askov-type situation to develop in the criminal courts. I would like to make it very clear that Ontario's courts are not on the verge of an Askov crisis.

Much has changed in our criminal justice system since the early 1990s. Guided by the Martin report, which followed the Askov case, we now screen charges in advance, we hold pre-trials for charges, we have introduced new criminal court rules, and crowns are now much better at managing cases to ensure they move forward in a timely way. As a result, the vast majority of cases that exceed eight months today are there because the defence has waived the deadline and requested an extension. Therefore, they would not be in jeopardy of being stayed.

I agree with the auditor fully that it would be very useful to have case-specific information on the causes and lengths of delays. Such information would help to ensure accountability, would produce early warning signs of any risks that charges may be dropped, and would provide a basis for planning of strategies to eliminate any recurring sources of delays.

We have improved our tracking of cases in six of our courthouses in what we call our blitz locations and we're looking at expanding this to other sites. Ultimately, our information needs will be met by what we





call the integrated justice project. It's a massive information technology program to bring the justice system into the computer age. I'll talk a little bit more about that in a moment.

I can assure you that the ministry keeps watch over the inventory of criminal cases. It is a high priority to continually improve the way cases are managed through the system to achieve swifter justice and to keep our communities safe.

It was just over a year ago that the Attorney General announced the backlog blitz. The ministry invested \$2 million in our six most heavily burdened court locations to ensure that charges coming before the courts do so within a reasonable time.

Police, judges, defence lawyers and crown attorneys have worked together to open new courtrooms and redeploy our resources more strategically and to re-engineer some of the processes that were being used in the courtrooms by crowns and police.

Since November 1996 we've succeeded in reducing the total inventory of charges in those six busiest court locations by a total of 10,000 or 17%, the first reduction we have seen in nearly a decade, and the total number of charges before the court has declined 39% in Newmarket, 25% in Scarborough and 20% in Etobicoke. The time it takes to get to trial has also been reduced. For example, it has dropped from 10 months to three months in Newmarket, nine months to five months in Etobicoke, eight months to four months in Barrie and seven months to five months in Scarborough.

Brampton, as you know, is one of our busiest criminal jurisdictions. It was the home of the Askov case and provided a special challenge to us. We have implemented a custom-made strategy to deal with the unique challenges in Brampton. The local judiciary, crowns, police, defence lawyers and courts administration staff have agreed on a plan to streamline every stage of the criminal court process. We brought into Brampton one of the crown attorneys who had been particularly successful in the Scarborough location, John McMahon, to work with the local crown attorney, Paul Taylor, and develop a backlog reduction measure specific to Brampton's needs. They've had great success in tackling this problem.

In cooperation with the judiciary, new operating procedures have been introduced to increase efficiency in the use of existing resources. For example, a dedicated plea court was established in December to allow the accused to enter a guilty plea at the first appearance if they so chose. Full disclosure by the crown to an accused is now being made at first appearance in court, so that will cut six weeks off the time to trial. An expansion of the prisoner entrance at one court location will accommodate larger prisoner vans; it actually speeds up the transfer of prisoners into court. A new blitz court is starting up this month, to be joined by another in March. That strategy, working with the police and the judges and the crowns and the bar, is working.

In December 1997 the number of charges resolved was 24% more than in November 1996, when the original backlog blitz was launched. Time to trial has decreased dramatically. In January 1998 it was down to five to six months, from 11 months in November 1996. We're confident that this strategy will ensure that we're able to adequately deal with the caseload in Peel as we await the opening of the new consolidated courthouse slated for early 2000.

Building on the lessons we learned from the blitz, our criminal law division is standardizing crown practices in jurisdictions across the province. A best practices manual is now almost completed and we have special training planned for crown attorneys on these best practices.

Another conclusion we reached was the need for flexibility to move resources around - judges, crowns and staff - to move them where they're most needed. So we are working with the judiciary on new strategies to increase flexibility in the system, to ensure that we'll always have the ability to deal with the volume of cases that exist in our courts.

As we've made clear from the beginning, the blitz effort was designed as an interim measure. We have learned some valuable lessons, which we are in the process of deploying throughout the whole system.





To address some of the underlying causes of backlogs, Chief Justice LeSage, Chief Judge Linden and the Attorney General have created the Criminal Justice Review Committee. The Criminal Justice Review Committee is a group of judges, defence lawyers and crown attorneys working to find practical solutions for some of the deeply rooted problems in the criminal courts. It's considering such areas as the number of appearances required of an accused before trial, consolidating pretrial motions, issues related to disclosure and trial procedures. Through this review we're working to see how the trial process can be shortened, without sacrificing the quality of justice that Ontarians expect from their court.

A further issue that was raised by the Provincial Auditor concerns the collection of fines by the ministry. The auditor's report indicated outstanding fines were not subject to reasonable collection efforts, largely because for two years no accounts had been transferred for collection to the central collection service of Management Board Secretariat. This situation was attributable primarily to the incompatibility between the computer systems of the two ministries and the reduction in central collection service staff, which prevented the transfer of accounts. All of these overdue accounts have now been transferred to the central collection service, which has engaged private sector collection agencies to pursue these outstanding fines. The next step I believe is to give the private agencies time to do their job, and then down the road we can reassess the situation to determine if further enforcement tools are required.

The ministry is taking part in the government's corporate accounts receivable project launched by the Ministry of Finance to develop and implement policy in this area. We have also initiated a review of the memorandum of understanding which outlines the respective roles and responsibilities between our ministry and the central collection service, and that was one of the recommendations of the Provincial Auditor. We are pleased that the central collection service has made a commitment to provide better reporting on the results of collection efforts by the private collection agencies and we're confident that our participation in the corporate project and our close cooperation with Management Board will enable us to address the concerns the auditor has raised regarding the collection of fines.

1100

We agree with the auditor's impression that information technology in the justice system is behind the times. We are changing this through the integrated justice project, which is an initiative involving the Ministry of the Attorney General, the Ministry of the Solicitor General and Correctional Services, and a consortium of private sector companies.

Over a five-year period we are developing a comprehensive system of information technology that will span the entire justice system, electronically linking courts, lawyers, prosecutors, police, and corrections staff. As part of this project, we will build an advanced information network that will link police to crowns and crowns to defence lawyers so that we don't have to duplicate paperwork every time a charge is laid. Currently, in your average drinking-and-driving charge, information has to be entered 13 times relating to the charge. With integrated justice, it will be entered once and then reused. That will avoid errors, it will avoid paperwork for police and the court, and it will just improve our ability to focus on the real issues that we need to deal with.

In civil courts we envisage comprehensive access to electronic filing. I mentioned the e-filing project. We envisage comprehensive access to electronic filing to eliminate the province's annual \$9-million expense of storing justice system paper documents. The network will enable us to run a full-fledged case management system to keep track of every civil, family and criminal case. This will improve court scheduling and save time and money for everyone.

The system will also increase the safety of police officers on the front line by making available up-to-date information about offenders and it will give parole and probation officers ready access to the information they need to provide effective supervision.

We are working now with the judiciary and the bar to determine their needs so that the new systems we are developing will meet user requirements. Case management in the civil and family courts has been given a high priority and will be undertaken in the first phase of the integrated justice project. We have engaged some of the brightest minds in the information technology business and have brought the private sector to this to make the integrated justice project happen for Ontario. I believe this project will





give the justice system the tools to deliver the kind of efficiency and service the public expects as we enter the 21st century.

The auditor's report also contains some interesting observations on performance measures in the justice system. Referring to points made by Chief Justice LeSage which I think are well taken, the Chief Justice underlined that the aims of the justice system are not easily stated or measurable and that the effectiveness of the system cannot be gauged simply against standard business criteria.

The civil justice review enumerated a list of benchmarks for the civil justice system. These were fairness, accessibility, affordability, timeliness, efficiency and cost-effectiveness, accountability, and a streamlined process in administration.

The first two indicators, fairness and accessibility, are especially hard to measure because they are relative concepts. That being said, the ministry has developed corporate performance measures, including standards and targets. For 1998-99 a number of these indicators focus on the courts, such as increased use of technology to streamline court processes, proportion of civil cases under case management, the waiting time for counter service at 393 University, the use of surveys to track customer satisfaction, reduction in the number of civil, non-family cases proceeding to trial, and client and lawyer satisfaction with mediation if mandatory referral is implemented. These are some of the measures that we are considering.

We're now working on program level measures to establish more specific performance indicators and targets against which the achievement of results can be evaluated. We expect to have these program measures in place by the beginning of the new fiscal year.

We use performance measures as a management tool to assess how well we are doing and to point the way to further improvements. In developing measures, we have consulted with our stakeholders - the judiciary, members of the bar, community groups - to determine if we're focused on the right outcomes, the right indicators for measuring results and the right standards and targets. We see these measures as works in progress. They're evolving as we gain experience in using them and as our business itself changes.

In the year ahead we will continue the vital mission of modernizing Ontario's justice system. We must and we will build a more effective, accessible and affordable system, one that delivers fair results in a reasonable time at a reasonable cost, one that preserves safe and secure communities and one that contributes to our province's social strength and competitive economic position. I'm looking forward to discussing these challenges with the members of the committee.

**The Chair:** Before we go on with questions, Madam Deputy, will you be the only spokesperson for the group?

**Ms Karakatsanis:** No.

**The Chair:** Have they prepared some kind of a document to present to us this morning?

**Ms Karakatsanis:** No. I'm the only person making introductory remarks. They will be available to answer questions as requested.

**The Chair:** Thank you. It's a matter of planning how long are we going to go on with the question period. Maybe we should start with 15 minutes per caucus. Mr Preston, you're on.

**Mr Peter L. Preston (Brant-Haldimand):** It's quite obvious from all levels of the judiciary and the government that backlog is one of our main problems. Some may think this is not the proper venue for this question, but I feel that if we cut off the young offenders, the younger kids, at the pass, they won't be part of the backlog in the future. My question is, what is this government doing to exert pressure on the federal government to change the Young Offenders Act?

**Ms Karakatsanis:** This has been raised by both the Attorney General and the Solicitor General at a





number of federal-provincial-territorial forums, as well as directly with the Minister of Justice, and the province has been very clear in its request to the federal government to amend the Young Offenders Act.

**Mr Preston:** I understand that everybody is talking about it. My question is, what are we doing to make sure that this is done?

**Ms Karakatsanis:** As you know, it's the federal government that must ensure those changes are made.

**Mr Preston:** I understand that.

**Ms Karakatsanis:** It is certainly something that the Attorney General raises directly with the Minister of Justice. It is certainly something that I raise with my deputy colleagues. It is something that we raise forcefully every time we meet and every time we have occasion to discuss matters.

**Mr Joseph N. Tascona (Simcoe Centre):** I'd like to thank you for coming before us here this morning. I want to directly deal with the Askov decision. As you are aware, and I think you may agree, unreasonable delay determination is essentially a legal matter of the court, but the auditor has raised some issues with respect to the causes of the delay, which have been included in the report at page 3, and the suggestion that there should be better information-keeping etc. This is from the auditor: "According to the ministry and the judiciary, the causes of the delay included unreadiness of the parties, lack of available judges" etc. Did you break it down in terms of percentages? Do you know what percentages are attributable to these factors? That's my first question.

**Ms Karakatsanis:** I don't think we do know what percentages are attributable to those factors. As we mentioned at the time, and I think I mentioned earlier as well, the factors are just so diverse. They include the Criminal Code procedures, which are passed by and controlled by the federal government. It includes the behaviour of the parties. It includes the judiciary. The charter has provided increasing complexity and longer cases. It depends on the number of charges laid by police. So it is very difficult to isolate one particular factor as being the sole cause of a delay in a particular case.

1110

**Mr Tascona:** If that's the case then, from what I understand from page 4 of the report, the ministry response was that tracking and analysis of case flow would be improved. What do you mean by that?

**Ms Karakatsanis:** We are doing a better job, as I mentioned, in the blitz procedures. We are doing a better job of following the cases in those particular locations. I have to say that it's integrated justice that will allow us to get really the kind of detailed information that we'll need, that will permit us to have a better sense at least globally of what the particular elements are that we should be focused on.

As I indicated, we're trying to deal with it from all approaches. We're looking at the process that comes into play when the police lay the charge, when they provide the brief to the crown attorney. We are working with police to make sure the information we get is in the form that we need. We are working with the defence counsel to make sure that disclosure is made on first appearance. We are looking at all the processes in place and trying to see how we can improve those. At the same time, the committee that I spoke of, the criminal justice committee, is looking at some of the procedures, which hopefully will look at some practical ways to just reduce them.

I mentioned earlier that one of the problems in Brampton was that one of the transport areas wasn't big enough to bring in a larger secured van for transportation of prisoners. That was a factor that we perhaps wouldn't have thought of immediately if we hadn't actually got in and worked with the parties. By enlarging the sally-port, the police were able to bring in larger vans with more prisoners, so there was less time wasted in transporting prisoners.

So there are a number of factors, and I think what we have tried to do is look at really all of the approaches: How do we re-engineer the processes, how do we look at what the procedures are, and then, as well, how do we bring in resources when we need them to set up an extra court to take pleas?





**Mr Tascona:** But are you going to be able to put together, in the simplest of terms, record-keeping in terms of analysing the situation?

**Ms Karakatsanis:** Yes, we are. As we are developing integrated justice, we're looking at all the factors and all the indicators that we need that would allow us to track and make those kinds of decisions that we need to make about allocating resources effectively.

**Mr Tascona:** Because in the Askov petition, that's really to deal with uncomplicated cases. What is an uncomplicated case?

**Ms Karakatsanis:** Certainly, as you know, Mr Tascona, if the defence asks for an adjournment, then that is not counted as part of the eight months. There are a number of factors that the court would look at in determining whether the eight months is a reasonable standard to apply or not. One of them is the defence.

**Mr Tascona:** I understand that, but what really is an uncomplicated case? Have they come to grips with that?

**Ms Karakatsanis:** I'll ask Murray Segal to provide you with a more detailed answer to that.

**Mr Murray Segal:** Mr Tascona, we have a number of internal guidelines. In most areas of the province special attention is devoted by the judiciary and the bar to cases, for example, that might take half a day or longer in criminal courts. That's one bar that's used for establishing what may require more attention.

The courts have equally given guidance, as I'm sure you are aware, of some factors to take into account in assessing seriousness, which include the one I have referred to, how long the case will take once it's in court, the number of witnesses, the number of issues and so forth. We can all agree that a sexual assault or a murder would fall into that category and we can all agree that most mischiefs and many drinking-and-driving cases where there is no accident or injury fall into the other category, without doing a disservice to any category that I have addressed.

**Mr Marcel Beaubien (Lambton):** I agree with your statement when you mention that the system is multifaceted, complex, large, and unwieldy. I'm not a lawyer and I don't understand the legal system very well. However, if we go back to the Askov decision of 1990, I am sure the chronic problems that we are experiencing with the ministry today existed prior to 1990. The Askov decision in 1990 gave us a rude awakening.

In your presentation you seem to rely an awful lot on electronic data, that it's going to be the saviour of the ministry. In my experience in dealing with computers and electronic data, if you put garbage in you're going to get garbage out. I'm not totally convinced that because we're going to use electronic data we're going to resolve the problem you're experiencing at the ministry. Could you expand on that, how you feel that by using electronic technology that is available today you'll be able to become more efficient? How do you see this coming through the filter?

**Ms Karakatsanis:** I do agree with you, garbage in gets you garbage out. That's one of the reasons why we're being so careful in the planning stage to include all of the stakeholders in the process, so that we are clear about what the needs are and what the connections are between the various parts of the system, so that when we do have a system, it's designed to meet the actual needs.

We're taking a lot of care not only in doing the analysis with our private sector partners who have a very keen financial motive to make sure the system we install actually works to deliver the benefits - because that's how they're going to be paid for their investment - but by focusing on what the users, the stakeholders, need. By taking a lot of care and trouble to make sure we design the system right, we are confident that it won't be garbage in, and therefore the results that we get will be very effective.

I agree with you that technology alone is not going to transform the system, but I think it is absolutely fundamental to be an enabler, to be able to transform it. We cannot deal with the increasing complexity, we cannot deal with the variety of stakeholders and parties who are a part of the justice system with





papers and pencils and a few very basic computer systems.

In order to be able to work towards the future, we are going to have to make sure that we're focusing on the work that people need to do, so that we're not re-entering 13 times information about one charge, and maybe making mistakes along the way, and wasting their time on paperwork, when, for example, police could be out on the streets, or when crowns, instead of coming for remand after remand, could be working on the substance of the cases or with victims and witnesses, instead of having to come to the courthouse during working hours to see when a case is scheduled and what stage it's at. They could call in electronically and that information would be available.

I see it as a real potential to improve the customer service dramatically. I see it as a real enabler to allow us to focus on what is the core business of the courts and the crowns and the whole justice system. I just don't believe we can do that unless we have the technology to support the proper infrastructure, to support an -increasingly complex system. By having a system that links all of the partners together, we'll start to work in better coordination and better cooperation. We'll be able to talk to each other. We won't be using different standards. I think that will help us to function as a system and eliminate some of the inconsistencies, the misunderstandings and some of the overlap that currently exists.

So yes, you're right, it's not in itself a magic solution. You certainly have to work very hard at involving everyone to make sure we get it right. But if we do get it right, and I'm confident we will get it right, then I think it will enable us to really build a modern system that works together as a whole and that can really help create confidence in the public that we have a justice system that works, that works efficiently, that works as quickly as it can and that works as cost-effectively as it can.

1120

**The Chair:** Mr Young, four minutes.

**Mr Terence H. Young (Halton Centre):** I totally agree with you. I think the integrated justice project is one of the most important initiatives of our government. My concern is I don't want to come back here next year and the year after and the year after and hear that you're still working on it. I'd like to know what deadline you have to have it up and running and working. Do you have a deadline? I'm a little short on time, so I'm going to just ask you for a short answer, please.

**Ms Karakatsanis:** The short answer is that it's a five-year project. We do have phases. In the next 18 months we hope to have all of the case management in on the civil side; there will be technology in on much of the policing side; and criminal case management would be next on the agenda.

**Mr Young:** The Criminal Justice Review Committee has judges, lawyers, and who else is on it? I'll tell you what my concern is. My concern is that the people who make more money, who make more income when trials are delayed, are the ones you have on the committee. They have a vested interest in the system the way it is. I agree with you that we've been operating in an old-fashioned way, some of the methods from the time of Charles Dickens. We have to modernize.

Are we going to get any outside expertise? Are we going to other jurisdictions to see how they've made their courts more efficient? You talked about benchmarking our courts. Who are we benchmarking them against and what do you expect to come out of this Criminal Justice Review Committee?

**Ms Karakatsanis:** As I said, we're really expecting some practical suggestions on things such as pre-trial conferences, the movement of the accused through the system, some really practical, concrete advice on changing some of the processes. Some of them may be things we can do; some of them may be things that have to be changed by the federal government in the legislation. We are looking at other justice systems in other provinces. We have invited the public to make representations. When I say "we," the committee has, because it's a joint committee with the judiciary.

**Mr Young:** Are you looking at any European jurisdictions?

**Ms Karakatsanis:** Not to date, but we could take a look at that if you have any specific ideas.





**Mr Young:** I would recommend that. You see, what I'm thinking of is the idea of mediation. It holds tremendous potential, because of the number of cases that don't end up finally going to trial but clog the system in the meanwhile.

How many different ways do you measure the efficiency of the system? For instance, you talked about the length of a case, the time to trial. Do you measure number of remands and all those kinds of things, and is that what you benchmark against other jurisdictions?

**Ms Karakatsanis:** We do measure number of appearances; we measure time to trial; we measure the numbers of inventory. As I said earlier, this is developing. We don't have all the information we'd like, so we would like to fine-tune as we go along. But we do measure those.

**Mr Young:** I used to work for the telephone company, and we were measured against all other jurisdictions, worldwide in some cases, but certainly North America. We were measured 50 different ways and we knew how we measured against the other jurisdictions. We knew exactly how we were doing.

I'd like to ask you, was the criminal backlog caused by spending cuts?

**Ms Karakatsanis:** No, and I believe the Provincial Auditor would be of the same view. When we talked earlier about the causes of backlogs, much of it has to do with the complexity of the process; much of it has to do with the charter and the implications for longer trials. We have more crown attorneys in the system now than we have had for some time. It has been growing; it hasn't been cut. There are statutory rights for victims as well. Those are the factors that create the increasing complexity and backlog. I do not believe and, as I said, do not believe the Provincial Auditor would say the backlog has been caused by spending cuts.

**The Chair:** Mr Lalonde, 15 minutes.

**Mr Jean-Marc Lalonde (Prescott and Russell):** One of the main reasons we're here today is because of the auditor's report of 1997. What really concerns us is the backlog that occurred probably during the last three or four years. I just wonder, when we look at the accounts receivable - I am sure you would be looking at this in your revenues - do we count those backlogs as accounts receivable when we come out with the final report at the end of the year?

**Ms Karakatsanis:** You're talking about the overdue fines?

**Mr Lalonde:** That's right, yes. There is \$316 million in there. Is it counted as accounts receivable?

**Ms Karakatsanis:** Yes.

**Mr Lalonde:** Because at the present time, we have a shortfall of \$5 million already vis-à-vis the expenditure. When I looked at this in the auditor's background notes of February 11 that we have here: "Collection of fines.... Moreover, on average approximately \$4 million in fines go into default each month." You just mentioned that the backlog is not caused by the reduction of staff. But why has the auditor found this?

"Moreover, on average approximately \$4 million in fines go into default each month. Persons convicted can have their driver's licence suspended if fines are not paid. Fines are considered to be in default 45 days after conviction, at which point they are transferred to the government's central collection service. For the two years ending February 1997, no accounts have been transferred due to computer incompatibility and a reduction of staff at CCS."

We are referring to reduction of staff, that we cannot collect those fines. Looking at it in the auditor's report, also in the background note, there is a note that struck me in there too, that we have over \$200 million in fines which are over two years old. We haven't been able to collect those. Do we have the staff in place to collect them?





**Ms Karakatsanis:** As I mentioned earlier, the fines that had not been transferred, which the Provincial Auditor commented on, have now been transferred. They had not been transferred at the time, as you mentioned, primarily because of incompatibility in the systems. That has now been fixed and they were transferred.

The reduction in staff referred to was the reduction in staff at the central collection service, at Management Board Secretariat. I know they have looked at ways to improve the collection of fines in Management Board. They are using private collection agencies to collect fines. That process is being used.

As well, you refer to driver's licence suspension. That is something that is done by the Ministry of Transportation, not only suspending licences but refusing to renew plates, and that is being done. It is just not always the deterrent we would like it to be.

**Mr Lalonde:** To tell you the truth, I don't know if it is working well in some regions and not in others. I was saying before you came in that I just can't see how we could have an outstanding number of fines like we have at the present time. I only had an \$18 parking ticket and I couldn't renew my licence plate because I hadn't paid that, which I didn't know of all along. I had to pay it right away.

**Ms Karakatsanis:** I wish everyone was like you.

**Mr Lalonde:** Anyway, I know the majority is from highway traffic fines, but I'm looking at - one of the collection agencies told us that at the Ministry of Environment and Energy, for example, we had a company that was fined \$35,000 two years ago. It was never collected and they said they will never collect it because of reduction of staff. This group was fined another \$9,000 just a couple of months ago, but never paid the \$35,000 they were previously fined.

I wonder what type of system we have in place at the present time to correct those situations, because it is causing a real headache for the people in the area. The case came to court and the company just didn't care about the environment, didn't care about the surrounding residential people. They're going ahead and the ministry doesn't have the staff to collect those fines, and they were forgotten.

1130

Just to go a little further, on page 5 of the notes that I referred to: "The...IJTP, currently under way, was formed by the ministry, along with the Ministry of the Solicitor General and Correctional Services, to develop technological solutions." Mind you, I believe a lot in new technology, but if you don't have the proper resources to put this technology in place, it will never work. The computer doesn't make mistakes. It's the people who enter the information in the computer who make the mistakes.

At the present time I just wonder if the resources we have in place to have this new technology in place, were they properly trained before we got the equipment? I could refer to another sector of your ministry where we have a lot of problems. In the past, we know there were some court cases rejected because of that. I just wonder if we are not going ahead too fast to implement the system prior to having all of the information entered in the new computerized system. Do you make sure your staff is properly trained before we transfer everything?

**Ms Karakatsanis:** Yes, I think that's a key component of implementing any information management or technology program. You raised the issue about paying for it and are we sure it's going to work. The way the initiative is structured is we have a private sector partner which will be making investments in the technology and will only be repaid from the benefits that arise as a result of technology. They have an interest to make sure that it works. As we are working with them, it is in their interests and it is in our interests to make sure that any technology that is implemented is implemented properly, that we get the right information into it, that we train people properly to use it in order that we actually achieve the benefits we have identified. Does that answer your question?

**Mr Lalonde:** To a certain point, yes.





**Ms Karakatsanis:** Training is key.

**Mr Lalonde:** As long as it is put in place properly. The company that will sell this new computer system, I am sure they know what they are doing; I'm positive. But it's to get the people really trained properly to enter the information in the computerized system.

**Ms Karakatsanis:** Yes, you are absolutely right.

**Mr Lalonde:** We have seen in the past that we did not have the necessary resources to enter the information, which has caused many, many headaches, especially to young families.

In regard to your working group that you referred to, do they meet regularly or once a year or twice a year?

**Ms Karakatsanis:** You're referring now to the court services agency project. The process we put in place was this. We reached an agreement with the judiciary, with the heads of court, that we would put in place a process to examine the feasibility of a court services agency. As part of that process, the chief justices and the attorneys set up a working group to do some thinking and provide some thoughts to them that they could consider about how such an agency could be structured.

It met for about two months at the beginning of 1997 and presented a draft report to the chief justices and to the Attorney General. The working group's job at that point was to present the report to the Attorney General and to the chief justices. It has not been meeting regularly. It had a specific job. It produced the draft report which was to assist the judiciary and the ministry to assess the feasibility and it, as I said, completed a draft report for their consideration.

**Mr Lalonde:** I think that's probably where the problem is. I just refer to what Mr Young said a little while ago. You have 84 law firms in Toronto looking at the actual system, and I'm pretty sure those law firms don't want to lose any business. We should have independent people as part of this committee or this working group that would meet regularly. You said they met at the beginning of 1997. That's probably a year ago.

**Ms Karakatsanis:** Are you referring to the Criminal Justice Review Committee?

**Mr Lalonde:** There are two groups. You've got the working group and the criminal committee.

**Ms Karakatsanis:** I may have told you about the other group. I was referring to the working group that met to develop some ideas for a court services agency. I think you were asking about the Criminal Justice Review Committee.

**Mr Lalonde:** To continue on that answer you gave me, this group hasn't met since the beginning of 1997 to review their report again and to see what the government's position is on the recommendations they came up with.

**Ms Karakatsanis:** It was not intended that working group would be a standing working group or committee. It was brought together for the purpose of putting together a draft report for the consideration of the chief justices and the Attorney General. It was only brought together for a short time to do the work, and it did it.

I co-chaired the committee with the Chief Judge of the provincial court. On it we had some members of the bar, a member from a financial institution, a former secretary of cabinet, and a person who considered themselves quite a layperson in the sense that they didn't understand the court system at all, to give us that perspective. It did have a variety of perspectives, but it was created only for a specific task and it completed that task. It wasn't intended to continue. If in future we find that the judiciary is interested in looking at some other structures of creating a unified management structure, we may call on that working group or another group to help with some of the thinking again.





**Mr Lalonde:** To refer to one of the comments, the request for extensions by defence lawyers - at present we're trying to reduce the backlog. You've mentioned that very often the defence lawyer would ask for an extension. This would all depend on the criteria that are established by the courts, and probably this working group should be looking at this too to try to resolve some of the problems we have in the backlog. I don't think much has been done up to the present time to recoup part of that \$316.5 million in the backlog at present. If we were faced once again with what happened in 1990, when any cases that had waited more than eight months were cancelled, we'd be in deep trouble. Of that \$316 million, \$200 million would disappear just like that.

**Ms Karakatsanis:** There are two backlogs, if you like. There are the ones where we're talking about cases in progress in the courts and then there were the outstanding fines that had not been transferred to management board for collection.

With respect to the backlogs in the courts - actually, I prefer not to use the word "backlog." I prefer to use the terms "charges in progress" or "inventory." "Backlog" suggests that somehow they're overdue and that's not necessarily the case. In the vast majority of cases it's not so. If you think about it as charges in progress, you're right, there are ways in which we can improve, and the committee that is looking at that particular issue has been formed with the chief judges and involves the bar and has called for some public input. They are meeting now and will continue to meet, and they are looking for some very practical solutions that will help improve the process, which will allow those cases to move forward to trial more quickly.

1140

**Mr Preston:** On a point of order, Mr Chair. I don't want to infringe on Peter Kormos' time. It's really a point of clarification. There was a reference made to the backlog earlier in Mr Lalonde's statement, the backlog of the last three or four years, when in fact we all know that the backlog went back to the Askov case and before, which was 1990. So it's not the last three or four years; it's probably the last three or four decades.

**The Chair:** Thank you, Mr Preston. Maybe I can ask the auditor to give us his thoughts.

**Mr Erik Peters:** I just have a very quick point of clarification. Unfortunately, we used the word "backlog" twice; in one case it's cases pending trial, and in the other it's the backlog of collecting fines after the decision has been rendered and made that somebody has to pay a fine - part of it anyway; others are fines from the tickets. I just wanted to make that as a point of clarification.

**The Chair:** Mr Kormos, the floor is yours.

**Mr Kormos:** I listened carefully to your opening comments, and my sense is that you're here on behalf of the ministry talking very much about justice. You talked about accessibility. I'm sure I recall. I made a note about you using the word "accessibility."

**Ms Karakatsanis:** I did.

**Mr Kormos:** Bear with me for just a minute. I've got a constituent named Doris G. I'll just use her last initial for the moment. Doris is married. She's got three children, 18, 16 and 13. Her husband is a low-income worker. She works part-time. I first met her when she started working at the Becker's over by my house. I'd go in there at 7 in the morning to get my coffee and the newspapers and she'd be there for the 7 am shift or wrapping up working from midnight. She works part-time now, around 20 hours a week. She and her husband and three kids live in their own home. They have two mortgages on it, though, and because of the nature of the economic climate in the region, uncertainty about the future of many factories, property values have either remained stable or in many cases dropped over the last 10 years, so I suspect they have no equity whatsoever in their home.

All of that isn't the problem. Doris has a niece whose body was found in Lake Erie last fall. The niece left behind a one-year-old and a three-year-old child. The niece's own mother has passed away. The niece's estranged spouse and purported father of the two children was charged with second-degree





murder and is in the Niagara Detention Centre waiting for the resolution of those charges.

I don't think there's anybody in this room who at some point in their own family history doesn't understand that back in less formal days, when something like that happened to your family you just took those kids in; they became part of your family. The problem is, Doris has been trying to use the court to obtain an order for custody of these two little children. It's feared that the three-year-old witnessed the death of his mother. Strangely, the father - or perhaps not so strangely - is contesting the application for custody while being held in detention awaiting trial on second-degree murder charges.

Doris called me because she knew me. She was told she might get legal aid, but if she did get legal aid they'd put a lien on the house. I canvassed several family law practitioners in Welland who simply won't do family law cases on legal aid any more. They simply can't do it. The resources aren't there. I tried to prevail on some of these same lawyers to do pro bono work. I figure I did as good a selling job as I possibly could and I leaned pretty heavy on some of them and tried to call in some chits of my own, but they explained to me, and I have to believe them, that conditions are such that they can't afford to do pro bono, especially in a case like this, because you've got all sorts of potential overheads: the office staff, as well as obtaining psychological reports etc.

Having said all that - and I don't expect you to have anything other than sympathy for this woman and the plight she's in. And please, I have the highest regard for you. I hope you understand that. You're the messenger here. But what, if anything, in what you've told us today will give Doris G. and those two kids access to justice? I'm not fabricating this; this is the real world. What have you told us that's going to give Doris G. access to the justice system so that she could fulfil what she feels are her moral and family responsibilities to two kids?

**Ms Karakatsanis:** You're right, there's certainly a lot of sympathy, but I think there are some solutions as well. Legal aid, we all know, isn't providing the kind of access that it could provide and that we'd like it to provide. The review that was initiated resulting in the McCamus report has certainly made recommendations to improve the level of support that legal aid can provide to low-income Ontarians. I think that's particularly true in the family area.

As you know, Mr Kormos, it's the law society that currently administers the legal aid plan. With respect to current eligibility for legal aid, that's something I can't comment on. I know that as we're looking to see how the legal aid system should be reformed, and as we're talking to our stakeholders, and as we consider the McCamus recommendations, improving access to legal aid for women and kids, for families in distress and who need that kind of support and cannot afford that kind of representation, it has to be a priority.

The reform of legal aid is something I hope will result in providing some support for the legal representation or the legal support that Doris and many others like her will need.

Once Doris, or whoever, gets to court, I would admit there are many ways in which we can improve, through case management, how quickly she can get through the process so that she could, having had some access to legal advice and support, be able to actually get a decision more quickly. I think even the initiatives we talked about in case management will help provide a faster resolution for her.

As a victim, or as a potential victim or witness for the children in the criminal case, we are providing much better support for victims of crime. We've doubled the number of victim/witness - we are being much more supportive of victims. So I would say, yes, there are a lot of people who need to have better access to the justice system, but there are a number of areas where we are working hard to increase accessibility and where I think we will have results that will help someone like her to get access to the justice system.

**Mr Kormos:** Far be it from me to want to blindside the Attorney General - why would I want to? - but I will be writing to him about this case.

For a minute, please, if we can get to the YOA issue, the young offender issue, and this furore. You were very careful; the ministry's being very clever. When the Attorney General was here in estimates, he was





very specific to talk about the perception of the increase in crime, right? Because he had to acknowledge that statistically incidents of crime have reduced, not significantly, but marginally. So the AG was very careful and the people on the crime control commission are careful to use the word "perception." When you say one in eight have a fear of being victimized - I have no reason to question the validity or accuracy of that stat; that's done by polling people and one in eight people suspect they're going to be a victim of crime. I assume it's as simple as that. But let's get down to the YO issue. What exactly is it that the Ministry of the Attorney General is seeking by way of changes via the federal Parliament with respect to the Young Offenders Act?

**Ms Karakatsanis:** I don't have with me the list, Mr Kormos. I know that the Attorney General in estimates, I think in response to your question, did provide the specific request that is being made and I'd be happy to get that information to you. I just don't have a list with me.

**Mr Kormos:** Mr Segal might.

**Mr Segal:** I have a few of them off the top of my head.

**Mr Kormos:** Fair enough.

**Mr Segal:** One of them is to revisit the transfer provisions, a second is to look at the age of responsibility, a third is to revisit the issue of publication or non-publication, and there are some others, Mr Kormos, but those are the ones I have off the top of my head.

1150

**Mr Kormos:** Fair enough. Now, I've talked to crown attorneys from various parts of the province and that's why I'm putting this to you, because I've got no reason to disbelieve them. These are hardworking women and men, very committed, who feel under pressure to effectively produce quotas when it comes to clearing cases. They tell me that they're being monitored and they're being expected - because you talked, Ms Karakatsanis, earlier about the increase in cases cleared, which means guilty pleas or withdrawals, with YOs, I presume, alternative measures. The crowns are feeling pressured to meet the quota to clear cases, which results in plea bargaining, which leaves victims feeling that justice hasn't been served. In other words, let's say a robbery, a woman having her purse snatched with violence or threats - as far as I can recall properly that's a robbery - being knocked down to an assault and/or a theft. That's what crown attorneys are telling me is happening. Can you comment on that?

**Ms Karakatsanis:** I'm going to start and then I'll let Murray provide some more detail, but after the Askov case, as you know, Justice Martin was asked and produced what we call the Martin report, which examined the way in which criminal cases were managed through the courts, and made some recommendations. Justice Martin recommended globally that there be a resolution rate that made sense in terms of the kinds of cases going through the courts that ought to be resolved prior to trial.

When you're looking at benchmarks across the system, you have to look at how the system is performing against those benchmarks. There's no question when it comes to individual matters or individual crowns the criteria you apply are not related to that benchmark. You look at the case in front of you, you look at the evidence in front of you, you look at the witnesses, you look at all of those other criteria. That is what governs the decision on what's the most appropriate way in which to handle the case. System-wide you can make some predictions about what the resolution rate ought to be and you should measure to see how that's working, but the crown attorneys make their determinations in specific cases based on the factors before them that are particular to that case and they are supported by their senior management in that.

**Mr Segal:** Mr Kormos, I think that very accurately captures it. We are not at all in the business of having anything that would resemble a quota system. Flowing from the Martin report, as the deputy minister has indicated, we do use some broad measurement sticks, and I'm sure there are ones you may agree with. One of them is an early resolution rate. The way the system used to work, and maybe that got us in trouble some years ago, was many more matters were settled on the eve of trial, where they could have been resolved to everyone's satisfaction, including the victim input, at an earlier point in time.





and thereby the valuable court time would be preserved.

The second broad measure is the number of cases that actually go to trial. It's not something that's looked at specifically. As the deputy minister has underscored, justice has to be done in every case, but at the same time appropriate resolutions, with appropriate input from everyone, should be something that is a goal.

**Mr Kormos:** I understand, but let's talk real world, okay? Let's talk Welland, let's talk Sudbury. If I'm an accused, just hypothetically, and I'm charged with robbery, I'm not going to cop a plea unless I get something. I either want a reduced crime, an included offence, or I want a deal to a lighter sentence and what might be the tariff. That's how crowns clear cases. Quite frankly, other than the dump trucks, who con their own clients, no defence lawyer is going to do that for their client either; there's no percentage. When you're clearing cases that way, you've got to give the accused either a deal in terms of a lesser sentence than what is appropriate or what is the tariff or you've got to give the accused a deal in terms of dropping charges or charging an included offence. This is only what crowns tell me, but it's pretty consistent all over Ontario. That how, crowns tell me, they're clearing cases. I can't fault them, because they're under pressure to do it.

**Ms Karakatsanis:** When we talked about what the resolution rate is across the system, we have a rate that we set and it's one that remains more or less constant. When we look at, for example, some of the measures I talked about in reducing backlog or getting the cases resolved earlier, often it's just a question of making sure that any potential resolution of the case occurs at the front end, not at the back end, so that you've reduced the number of times you go to court. Nobody is suggesting to crowns that they need to resolve more cases. When it's done effectively, when we've worked at it in the blitz locations, it's done at an earlier stage, so that people are informed, and there's a senior crown who is available to review the case rather than having remand after remand.

**Mr Kormos:** Now, my final question: Recently the Attorney General - not so recently; a little while ago last year the Attorney General announced basically a new class of charges which would be considered for diversion. In many people's views, he lowered the bar because he included among those offences ones that others historically didn't perceive as that low.

You know about the government's embrace of the broken windows theory, the one that the crime control commission is pursuing: If you don't go after the people who urinate on the sidewalk, before you know it they become Alan Eagleson. That's the broken windows theory: If you don't go after Alan Eagleson, who urinated - see, that was the problem. He should have been busted for urinating on the sidewalk and he never would have done the big scam.

**Mr Young:** That's not quite the theory.

**Mr Kormos:** I was at the conference. That could be the first Alan Eagleson quip in this committee since his going to jail.

**Mr Young:** You were almost there with him.

**Mr Kormos:** I don't get that kind of treatment. He's in the four-star cell, Terence.

How does that coincide with the broken windows approach and the embrace of that by this government, this lowering the bar or lowering the threshold for crimes that are going to be considered - and if I'd been guilty, I would be in with him. How does that coincide with the broken windows theory?

**Ms Karakatsanis:** I don't believe that we are lowering the bar or lowering the threshold. There are some local committees in some areas where the community has got together and proposed some more effective solutions to crimes that have been committed in the community. If you want some more detail about those local committees, which have been in existence for some time, Murray can speak to them, but I don't believe we have lowered the threshold.

**The Chair:** Thank you, and now I'll lower the boom, I guess, it being close to 12 o'clock. Mr Kormos,





while you were questioning our witnesses, I conducted a straw poll. Members of the government and also the opposition are telling me there's no need to invite these people back at 1:30 for more questions. Are you in favour of this? I'm not asking you to give these people the afternoon off.

**Mr Kormos:** I'll concur with that, no problem.

**The Chair:** Thank you. Thank you very much for appearing before us this morning. This committee is in recess until 1:30 this afternoon.

*The committee recessed at 1200 and continued in closed session at 1330.*

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### Calendar

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### **Standing committee on public accounts**





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# Official Report of Debates (Hansard)

Thursday 19 February 1998

# Journal des débats (Hansard)

Jeudi 19 février 1998

## Standing committee on public accounts

1997 Annual Report,  
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Ministry of Education  
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Vérificateur provincial :  
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## LEGISLATIVE ASSEMBLY OF ONTARIO

## ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON  
PUBLIC ACCOUNTSCOMITÉ PERMANENT DES  
COMPTES PUBLICS

Thursday 19 February 1998

Jeudi 19 février 1998

*The committee met at 1047 in room 228, following a closed session.*

1997 ANNUAL REPORT,  
PROVINCIAL AUDITOR  
MINISTRY OF EDUCATION  
AND TRAINING

Consideration of section 3.06, Ontario student assistance program.

**The Chair (Mr Bernard Grandmaître):** Good morning, everyone.

*Failure of sound system.*

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**Mr David Trick:** ...here is an interest relief program which is about \$7 million where, if a student leaves school and has a hard time making his or her payments, the government will help out with the interest payments for a period of up to 18 months. Last, there is the cost of defaults. If you add those things together, you get in the current year \$504 million.

*Failure of sound system.*

**Mr Trick:** ...It used to be you got all of your loan once in September, but over the past two years we've gone to a 60-40 split. So you get two payments a year: 60% in September or whenever you start and 40% halfway through the year.

In terms of making it a more regular, for example, a monthly payment, the issue there is essentially to come to an arrangement with the banks so they'll agree to do that. A student gets his loan from the bank rather than from the ministry. The banks have expressed some concerns about the potential administrative burden of having the student come into the bank every month for his loan or in some other fashion having to police the student's attendance and issue the loans monthly. It's a discussion we've had with them. I told the private vocational schools I'd like to continue with both them and the banks because I know it's something they think is a good idea and will work for a lot of their students. I have to just say that, as of today, we're not there yet.

**Mr Gary Fox (Prince Edward-Lennox-South Hastings):** But I understand, in talking to the career colleges, that they're quite agreeable to administrate this part

of it because, as you know, they're scared at this time because their defaults are a high percentage and they'd like to see some changes made to correct this. I feel they're quite agreeable to going along with any part of this to correct the situation.

The other point I have is on the tax break. You say that the tax break to parents is \$100 a year?

**Mr Trick:** No. When a student applies for OSAP, we ask what their parents' income is, and based on that we calculate how much we think the parents can afford to contribute to the cost of their own children's education. Today, to take an example of a family of four earning \$40,000, the calculation is that that family can't afford to contribute anything to the cost of their kids' education. Starting next year we'll be asking that family to contribute \$100 and then the student provides some and OSAP provides the rest.

**Mr Terence H. Young (Halton Centre):** Could you please just explain exactly how this works? I've had a concern about the loan forgiveness for some time, as you know. In some cases, and it might not be many, I've always been concerned that because a loan is forgivable — that means you don't have to pay it back — some students would choose a lifestyle and decide to borrow more, and say, "Anything over \$7,000 I don't have to pay back, so I'm going to just live and study and I might not get a part-time job or I might not get a summer job," and those are some of the students who end up with the big debts when they get their degree.

I totally approve of the principle that you're removing this forgivable part. Can you explain again how that will work?

**Mr Trick:** In making this change last Friday, one of the points Mr Johnson made was that the loan forgiveness program we now have is not very well understood. If you talk to, say, 10 students, you might find one or two who understand it reasonably well and a large number who simply don't understand that we're going to forgive some of their debt after graduation. One of the main purposes of changing to the Ontario student opportunity grant program is to clarify what's a loan and what's a grant and make that clear in students' minds so they don't have a higher expectation of what their debt is going to be than is actually going to be the case.

In terms of how it's structured, if you have a loan up to \$7,000, that's a loan, and the amount above that is a grant. The concern you raised is, does that give an incentive for



students not to, if you like, look after themselves because the amount above is a grant? I think what we're intending to do there is, first of all, we do take into account what students earn over the summer and during the course of the year. Second, I think there's a pretty good understanding among a lot of students who are working part-time that one of the reasons they're doing that is to make sure their total debt at graduation is lower than it would otherwise be. So, yes, it does affect what OSAP might give them, but then when they graduate they have less to pay back.

**Mr Young:** But the measures are, you're going to pay it back after the year is completed, you're going to verify with Revenue Canada that the income figures are correct and you're going to pay it into a bank account where there's a loan so that the money is not spent.

**Mr Trick:** Right. We pay it to the bank to which the student owes the OSAP loan.

**Mr Young:** When you give a student a loan now, do you always pay the tuition to the institution first, or does it just go into the student's bank account and they're supposed to write the cheque out for their tuition?

**Mr Trick:** There's a mixture of practices. Let me ask Helmut Zisser to pick that up.

**Mr Helmut Zisser:** At the time when students attend the institution and go to pick up their loan documents, they're asked to complete a confirmation of enrolment document to indicate that they're actually in school. At that time, when they receive their loan documents, there is a provision on the document for the institution to deduct the amount of the tuition. But it is up to the institution to do that. Most institutions do in fact follow that practice, so that when a student presents the loan document to the bank, the bank will then execute it as it is written, and if an institution has placed that there, then that amount of money will immediately be transferred to the institution's account and the balance would go to the student.

**Mr Young:** I have a two-part question then. Why don't we make all institutions do that? Because a student loan is based on need, why don't we make sure the tuition gets paid? And do we pay half the tuition for half the year or do we pay it all? Because if the student drops out in October and we've paid all the tuition, that's lost to the student and to the program. Why do we not give the living expenses monthly? We've talked a little bit about that, but if you could answer those first two questions I'd appreciate it.

**Mr Zisser:** When we issue a student loan we do not differentiate between the portion of that loan that would support tuition and the portion of that loan that would support living costs, because that combination will vary depending on the student's circumstances.

**Mr Young:** Why can't we just make it a policy, a regulation, that the loan must first go to pay the first term of tuition before anything else, make that a rule? Why do we not do that?

**Mr Zisser:** That is certainly the principle that is applied. When students get that loan document, the expectation by the institution certainly is that they are paying their tuition fees. Different institutions have different policies

about how they charge tuition fees, whether they expect it all to be paid, whether they accept partial payments and so on. A student will be expected to use that loan to pay that. Where an institution wishes to debit the student's loan for the amount, they can do so.

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We also have to remember that in many cases the amount of loan that we're issuing to a student may be a small amount in so far as they already have a lot of means at their disposal so the amount of tuition they have to pay overall may even be greater than the amount of loan they are receiving because they have other resources at their disposal. We do not in all cases provide students with a loan that covers all of their tuition and living costs. In fact, for the majority of students we're providing less than that because students have their own resources. They've had jobs over the summer, they have scholarships, they have bursaries, they have other resources available to them.

**The Chair:** Thank you. I must move on.

**Mr Richard Patten (Ottawa Centre):** There is great interest in this program, as you well know. First of all, Deputy, it's a pleasure to meet you finally. You came to the ministry with tremendous support in the educational sector, given your reputation in what you've done in the past. My first question is, are you enjoying your job? I'm just kidding.

**Ms Veronica Lacey:** More now than in the fall, I'd say.

**Mr Patten:** By the way, your job description is one of the most stringent documents I have ever read. It seems to me that in order to achieve some of these things, you'll have to be a superwoman. I wish you all the best in trying to achieve them.

But in your performance contract, at least the copy I received, you had identified or had made a commitment to reduce the costs of the program for the 1997-98 period of time, which was scheduled at about \$80 million. What is the projection of the budget now for the next year?

**Mr Trick:** Mr Patten, if I could pick up on that, we have achieved a reduction in the current year from last year. The main way that was achieved was the decision that the government announced a little over a year ago now to raise the threshold between loans and grants from \$6,000 to \$7,000. In the course of doing so, a year-over-year reduction was achieved and the full \$80 million was.

**Mr Patten:** I think last Friday's announcement by the minister mentioned the tremendous range of success in terms of accountability by students in fulfilling their obligations between various colleges and universities. It's quite a range, 10 times the difference in some instances.

What has the ministry done in terms of those institutions where there's a significantly higher rate of default? It obviously suggests that the counsellors or the advisers at those institutions are not up to scratch or are not as competent as they are in other institutions, or are there factors that contribute to the defaults other than the counselling or the role of the institutions in advising and finally signing off on loan applications?



**Mr Trick:** You're right that, first of all, there is obviously quite a broad range in default rates among institutions and also within institutions among various programs. I think you're also right that there is no one thing here that distinguishes the high defaults from the low defaults, so we've introduced quite a broad range of measures, no one of which would be effective on its own but which collectively we think will be effective.

With particular reference to the high-default institutions, we've asked the ones above 38.5% to start paying for some of the costs of their defaults on loans they issue after August 1 this year. When I met with the private career colleges on Tuesday, they talked to me about a number of things they were going to do to help that along.

Certainly counselling is one issue in terms of putting students into courses they could reasonably benefit from. Financial counselling is another. They say they have some students who simply don't have a lot of experience in budgeting and in the idea of taking on debt and then paying it back. They just don't have a lot of experience in that area. Third is the nature of the course itself. We've asked them and they understand the need to take a look at courses where there simply isn't a lot of demand from employers when the student comes out and to take a look at whether they still want to offer that course or whether they want to move into some other field of education.

There is a fairly broad range of things they can do, and I say that without for a moment suggesting that the burden should all be on them, because clearly we're doing things as a ministry too.

**Mr Patten:** Is there a risk, with the added accountability to those institutions or pressure on those institutions, that this might tighten up the support or limit the possibility of some students who need support, and that it would somehow play a role in saying, "Now we're going to be really tough, because if the institution has to pay, we're going to be so stringent and careful"? But the other side is, maybe this is going to limit those who are in need or those who may have to get out of that institution to go somewhere else or not go to college or university at all. How are you coping with that?

**Mr Trick:** Certainly the discussion I had with them was they were looking at this from the perspective that they had to serve the student better. If the problem is that the program they're currently offering isn't serving the student well — let me give an example: If they're taking a student into a computer program where one would have to have a pretty good facility with mathematics and yet the student isn't comfortable with mathematics, they recognize they either have to find some way of bridging that gap for that student or have some opportunity for a student to get up to speed before they start the program.

I think that was really the perspective they were looking at, whether their program was well suited to the student and then at the far end, was the student graduating in a way that he or she could get a job, because quite clearly that's what the student was after in coming to the career college.

**Mr Patten:** In some jurisdictions, I am advised by the auditor's office in response to a question I asked on the counselling side for students related to managing finances and the implications of borrowing and students graduating with big mortgages essentially — is the ministry looking at any requirements related to anyone who has taken out a loan having to go through an hour's session, whatever it is, in financial counselling related to the accountabilities of being the recipient of a loan? I understand that in some jurisdictions it's in the legislation that there is a financial management course required before assistance is given.

**Mr Trick:** It's currently a fairly common practice, particularly at career colleges, and even in some of the public colleges, to require financial counselling as part of the student loan process. To answer your question, no, we haven't looked at legislating that requirement, but it's something we might discuss with some of the institutions, whether they think that would be helpful.

**Mr Patten:** Deputy, in terms of the contingencies program, it says you're in negotiations or plan to negotiate this with the federal government. Where are those negotiations at the moment?

**Ms Lacey:** We have had several discussions with the federal government, particularly at the staff level. The minister has met with the federal minister and it was an amicable discussion, but we have as yet to have solid proof that we're able to move forward on specific steps that will aid our students. We're hopeful that maybe in the next few weeks we will have stronger signals that we can come to some agreement.

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**Mr Patten:** We had a preliminary discussion about some of these issues before and I learned some of the rationale as to why the federal government has had agreement with the financial institutions. The federal government provides the fee to these institutions. I'm advised by one of my learned colleagues across the way that while that's not directly a financial advantage to the institution, it does get the student, because they then buy a car and they then buy a house, if they ever get to that stage, when they pay off their student mortgage. They've got a customer, in other words.

The province has a different arrangement. We provide a loan guarantee on defaults, but I understand that's been looked at. Are there negotiations going on to examine that position and, if there are, what's happening on that score?

**Mr Trick:** Just a little bit of history here. Up until 1994-95, the federal government and every province had an arrangement with the lenders where there was 100% guarantee given by the taxpayer for any default. In 1994-95, the federal government announced it wanted to go to a different system, where it would pay the banks a percentage of their loan each year in return for the banks taking on the risk of defaults. Eight other provinces did that as well. The Ontario government chose not to do so at that time.

I mentioned earlier that is something we would like to talk to lenders about as a way of containing some of our risks and giving them a bit more incentive to make



arrangements with students who are at risk of default, rather than simply letting the student default and taking the loan back to us. In terms of the exact time frame of that, I couldn't really say, but it's clearly something that we have talked to them about and I think we will again in the near future.

**Mr Patten:** My final question is related to the new requirement now that parents who have an income of \$40,000, a family of four, now have to pay 100 bucks. This is nickel and diming. You must be somewhat embarrassed to even have to administer a program of that nature — a family of four with \$40,000 income. Is the government that desperate that you have to institute a program of that nature? I know that's not your position, because it's a policy decision, but are there any incentives that you have tax-wise that will provide incentives for parents to contribute more in terms of tax relief for students?

**Mr Trick:** I have to say the major issue that we've looked at with the federal government in terms of incentives for parents to save for their children's education has been through the registered education savings plan that we talked about earlier. The mechanics there are that the personal income tax system is run by the federal government so they get the final call on how that program is designed, how it's structured. Provinces contribute to the cost in the sense that it lowers tax payable to both levels of government, but essentially we're in a position of talking to them about it and they get to make the final decision. I'm hopeful that maybe next Tuesday we'll find out some more about changes to that, but I couldn't really tell you any details.

**Mr Patten:** My final question is, are you monitoring the impact on students who may have been on welfare, now going to school, eligible for a loan but if they receive the loan they're off welfare? What's the dynamic there? Is that really working out? Is it a positive thing? Is it worthwhile, especially for single parents? What's your experience thus far? This is a new policy, I gather. What's the impact of that? The implication, of course, is that you want to get people off welfare. If they're going to school, their probability of employment is increased etc. The feedback I get in my riding is that that's a barrier. What is your experience on that?

**Mr Trick:** Personally, I couldn't give you a lot of facts and figures on that, but let me just ask if either of my colleagues has a little more available than I do.

**Mr Richard Jackson:** The number of sole support parents accessing student assistance this year and in 1996-97, which was the first year that this change was made, is not an appreciably different number than it was in 1995-96, prior to that change. Certainly, we may hear individual cases of that, but the raw numbers would demonstrate that hasn't really changed the profile of who is accessing student aid.

**Mr Patten:** So either it's working well or some of them don't realize what they've got themselves into. Anyway, I guess over time we will see that. Hopefully we're monitoring that, because that particular demo-

graphic is quite important because it's a springboard for new opportunity and getting off welfare.

**Ms Lacey:** We will certainly do that.

**Mr Jean-Marc Lalonde (Prescott and Russell):** Thank you once again for coming in front of our committee. We know that OSAP is a very important sector of our education because about 40% of the workforce in Ontario makes less than \$20,000 a year, so OSAP plays a very important role for the future of our province, our economy and our country. But there are a few points. We know that in the past we've been following the federal needs assessment criteria after they were revised in 1994. Have we switched to the 1994 needs assessment?

**Mr Zisser:** Yes. For the current year we are using the same needs assessment approach as is the federal government.

**Mr Lalonde:** The 1994 needs assessment?

**Mr Zisser:** We are using the one that the federal government implemented at that time. The actual rates that are established and so on are set annually by the federal government and we are using the most current rates that they have provided to us. We would be doing the same thing in assessing a loan in Ontario as other provinces are who are also following the Canada student loan guidelines for needs assessment.

**Mr Lalonde:** Is that part of the 80% of the auditor's recommendation that you have met?

**Mr Zisser:** That's correct.

**Mr Lalonde:** Can you briefly tell us what are the 20% of those recommendations that you haven't met yet? Not in every single detail, but there are quite a few important recommendations in our report.

**Mr Zisser:** Yes. The Provincial Auditor had recommended that we perform regular audits to identify post-secondary institutions that do not adhere to program requirements or abuse the program. As I mentioned earlier, we are planning to start that in 1998-99 with the August cycle of audits. So that's one that's not yet under way.

The Provincial Auditor had recommended that we require explanations from applicants who report personal and spousal incomes below a specified level. We are currently doing that for people who report a zero income, but we have not set a different threshold. We're again planning to introduce that for the 1998-99 loan year.

**Mr Lalonde:** Without going through every one, have you now proceeded with asking for official receipts for the child care support? In the past, you didn't bother asking for child care support receipts.

**Mr Zisser:** Yes. We issued guidelines to institutions requiring them to do that and we have an audit strategy in place for this year where we will be conducting some spot audits at a number of colleges and universities to ensure that those procedures are actually being followed.

**The Chair:** One last question, Mr Lalonde.

**Mr Lalonde:** Last question already? You mentioned a little while ago that \$10,988, approximately. Is that a grant or a loan that you give to students going to the private institutions?



**Mr Trick:** The first \$7,000 of that is a loan and the amount above that is effectively a grant.

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**Mr Lalonde:** Vis-à-vis the public institution, the reason that you have gone to \$10,988, what is the reason for accepting the other one higher than the public institution?

**Mr Trick:** First of all just to be clear, the figures that I cited to you were averages, so of course in all three sectors there would be some above and some below. The two main reasons why the figure is higher in private vocational schools are, first, typically their tuition is higher. Tuition can be multiple thousands of dollars a year, whereas it's a regulated fee in the universities and colleges. Secondly, the amount that we will lend to any student depends on their family structure. For a single student we'll lend up to \$9,350; for a student who has dependants we'll lend up to \$17,000. That's for a 34-week year. If you have an institution that takes in more students who have dependants, then the average loan will be higher. The more parents with children you have in an institution, the more likely it is that there will be higher loans to them.

**Mr Lalonde:** But the parents of the students who choose to go to a private school should be able to afford to pay the difference.

**Mr Trick:** No, sir. Let me be clear. I mean a parent who might have a small child who's one or two or three years old. It's the parent who's attending school. When I say that, I'm talking about students who have children of their own.

**Mr Peter Kormos (Welland-Thorold):** The numbers, and especially the Friday the 13th announcements by the minister — he talked about financial assistance to post-secondary students being \$504 million this year, rising to \$535 next year, a 6% increase. Yet the auditor's report shows — and I appreciate it's a year prior, 1996-97 — program expenditures total \$335 million. Where does the almost \$200 million more come from in the minister's Friday the 13th announcements?

**Mr Trick:** I'd want to look at the Provincial Auditor's report to give you an exact answer to that question, but let me just say in general, because we are switching accounting systems over the past couple of years, there are two sets of numbers for every program in the government —

**Mr Kormos:** I'll bet you there are.

**Mr Trick:** — one of which is a cash set of numbers and one of which is an accrual set of numbers. For the cash set of numbers the cost is recorded whenever the cash is flowed out the door. For accrual numbers we record in the current year the total cost to the taxpayer in all future years of the loans that we issue this year. The numbers I cited were accrual numbers, and if the others were cash, I'll have to take a look at them after.

**Mr Kormos:** On page 93 of the auditor's report he talks about total program expenditures being \$335 million, and then on page 94 he breaks down where the money is being spent.

The other interesting thing is the Friday the 13th announcement utilized default rates as a beginning point

for the discussion — 18%, 28% and 35%, if I remember correctly. But I understand that you become a defaulter merely by virtue of your financial institution seeking to cash in its chit with the government. So being a mere defaulter doesn't mean that you won't be paying in the next month or the month after. Is that a fair observation?

**Mr Zisser:** The arrangement that we have with the financial institutions at this point requires the financial institutions to take responsibility for the loan and to attempt to keep that loan in good standing, so the initial due diligence requirements rest on the banks. Those requirements are that they work with the student to consolidate the loan. That is the process whereby the student, after their period of studies, brings all loans together and then enters into a repayment arrangement. They are responsible for making monthly payments to the banks for that. Where a student misses a payment, the bank is required to provide that student with a notice. Where the student fails to make a second and a third payment, the same process takes place. The bank can only claim a loan from the province after it has exercised due diligence by issuing the three notices. At that stage the loan is 90 days in default and those loans are then returned to the province under the guarantee provisions.

**Mr Kormos:** Okay, no problem. We're talking about a loan that's 90 days in default and it then becomes part of the statistics for defaulted loans, assuming the bank has not lagged in exercising its power to seek reimbursement from the government. Is that a fair observation?

**Mr Zisser:** Yes.

**Mr Kormos:** I take a look at page 107 of the auditor's report and we see that the gross amount, according to the auditor, of outstanding moneys to be collected by the province as of October 31, 1996, is \$99 million. Is that an accurate number?

**Mr Zisser:** Yes.

**Mr Kormos:** What's interesting is that for the largest single amount, \$55 million, under the column "Collection Efforts," the auditor indicates "Minimal collection activity in the last year." Do you dispute the auditor in that regard?

**Mr Zisser:** No, that would be a correct observation.

**Mr Kormos:** For the second largest amount, \$30 million, the auditor indicates, "Returned from CCS — no collection activity." Do you dispute that observation?

**Mr Zisser:** That's also a correct observation.

**Mr Kormos:** Then \$14 million, the auditor indicates, is "Unprocessed — no collection activity." Do you dispute the auditor's observations in that regard?

**Mr Zisser:** No, we've seen these numbers before.

**Mr Kormos:** It seems that almost \$100 million of outstanding debt has been, for the largest part, ignored by the government. Is that fair to say?

**Mr Zisser:** When the ministry receives the loans that are being claimed by the banks, we process those claims to ensure that those are bona fide loans with the province and we then pay the bank the amount of the claim. We then transfer that loan, as a ministry, to Central Collection Service of Management Board and they are the responsi-



ble party within the government to initiate further collection activities, which they carry out through their own staff resources or by engaging the services of collection agencies.

**Mr Kormos:** But I'm looking at these numbers — \$55 million received minimal collection activity and \$44 million received no collection activity. That's an incredible amount of money to be ignored, isn't it?

**Mr Trick:** Mr Kormos, if I may, I think you'll find no disagreement on our part that we have every obligation as a government to be out collecting these loans. In Mr Peters's report he gives a snapshot in time on October 31, 1996, and he is absolutely right that, for a period before that, central collection services from the government was not in a position to do very much in the way of collection activity. They are increasing their resources and they are attempting to increase the contract resources available to them.

For our part, just to cite one example I mentioned earlier, we have arranged with the federal government for Revenue Canada to be offsetting people's income tax refunds so that we have another way of accessing this money as well.

We are more than in agreement with you that more has to be done here.

**Mr Kormos:** You say CCS has increased their effort?

**Mr Trick:** The information I have is that they have taken on additional temporary staff so they can increase the effort that they are making to collect Ontario student loans.

**Mr Kormos:** The auditor reports that there was a 50% reduction in the staff at CCS and they had not accepted any new files for collection since May 1996. That's on page 107.

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**Mr Trick:** That was absolutely true at the time the auditor's report was done. I'm talking about additional staff who have been taken on board by central collection over the past six to nine months in an effort to address exactly the kind of problems the Provincial Auditor pointed out.

**Mr Kormos:** One of the concerns I have as well is the goal of the ministry to effect greater tuition fee deregulation. That will mean higher tuition fees, won't it?

**Mr Trick:** The Minister of Finance made a statement on that subject in December and said Minister Johnson would be providing more details. So those will be coming in future.

**Mr Kormos:** Fair enough. But son of a gun, I brought along the performance report. It has been breeding like rabbits; it has been appearing everywhere. The Xerox machines have been overheating. It speaks of one of the goals being greater tuition fee deregulation. I understand the minister, you say, hasn't made an announcement, but that is going to mean higher tuition, isn't it?

**Mr Trick:** I'm going to leave that to the institutions to decide after the policy is announced.

**Mr Kormos:** When the minister was criticized after his Friday the 13th announcement because he spoke about a 6% increase from the past fiscal year through the 1998-

99 fiscal year in student assistance — which, as I say, you've got to know conflicts significantly, because of the double bookkeeping system, with what the auditor says. The auditor says \$335 million; the minister \$504 million. But heck, the \$80 million that was generated by raising the threshold from \$6,000 to \$7,000 is far more than that 6% purported increase, isn't it?

**Mr Trick:** Yes, sir.

**The Chair:** Before you answer that question, I'd like to ask the auditor to clarify. I'm a little confused about two sets of books and so on and so forth, different accounting systems. I'd like the auditor to clarify your bookkeeping system.

**Mr Erik Peters:** If I may help out on the two, there are no two sets of books in this case. Both amounts were determined on what is called a modified cash basis. The difference of about \$200 million, or close to that, in the numbers is largely because the loan forgiveness amount is increasing and will continue to increase over time as loans are being made, because of the limit. For example, the loan forgiveness in 1996-97 was \$157 million; it's estimated in 1997-98 to be \$350 million. All of it is right there. The interest paid has also increased because the amount of loans outstanding has increased, and the interest relief is a small amount in there too. So there are three, but the biggest component, from what we have determined, how you got to your \$504 million, David, appears to be in the loan forgiveness number. But there are not two sets of books. This is actually performance of the program.

**Mr Kormos:** I was using their lexicon, but I appreciate the clarification; I enjoyed theirs as well. A response to the minister from David Scott of the Council of Ontario Universities indicated that funding based on your numbers was \$592 million in 1996-97 and decreased to \$504 million in 1997-98. Is Mr Scott correct when he says that and when he is reported in the Toronto Star as saying that?

**Mr Trick:** This refers to the reduction of \$80 million that we talked about earlier? Yes.

**Mr Kormos:** When the minister talks about a 6% increase, it's after the grab of \$80 million and then putting back in \$30 million? Are my numbers reasonably correct there?

**Mr Trick:** Yes.

**Mr Kormos:** The auditor also talked about the disincentive banks have to collect outstanding debts. Do you agree with that observation?

**Mr Trick:** Yes. This goes back to our earlier point that at present the guarantee is held 100% by the government and that we'd like to change that.

**Mr Kormos:** Why was there no action on \$44 million of debt and only minimal action on \$55 million of debt, as reported in the auditor's report?

**Mr Trick:** Mr Kormos, I'd be happy to find out a little bit more about that. Without making excuses, I have to say that the deputy minister and Mr Zisser and myself have only been involved in this program for the last 12 to 18 months and I couldn't tell you very much of the history prior to that.



**Mr Kormos:** Since you have been involved, you indicated that the CCS has hired temp staff or new staff?

**Mr Jackson:** Our understanding is that Central Collection Service has indeed hired temporary staff to take action on not just our accounts but other accounts owing to the provincial government. I can tell you that all of our defaulted loan accounts are now sitting with Central Collection Service for collection purposes. We are not sitting on them and not acting on collection.

**Mr Kormos:** Fair enough.

**The Chair:** Mr Kormos —

**Mr Kormos:** You used up my time, Chair.

**The Chair:** I'm not trying to stop you. I would like to ask the auditor to clarify what was said, so the ministry can be more helpful to you.

**Mr Kormos:** Thank you kindly, Chair. Your assistance is always a pleasure.

**The Chair:** You haven't lost anything; you haven't lost a minute. Auditor.

**Mr Peters:** I'll do it in a minute. Part of our 1997 report deals with the failure of CCS to collect accounts. We have already discussed in subcommittee of PAC that once Parliament resumes, in those sessions later on there will be a session on the whole Central Collection Service problem. This is just to clarify that very often it's not the ministry that is directly at fault; they do their role, they turn it over, but there is another problem here in the works that will be addressed at a later stage.

**Mr Young:** Mr Chair, may I ask the auditor a question on the same subject?

**The Chair:** Yes, and again, Mr Kormos, you won't be losing any time.

**Mr Young:** Do you recognize any difference in trying to collect money in a normal bank loan situation from people who are working and students who haven't found work yet?

**Mr Peters:** There will definitely be a difference.

**Mr Young:** Right. Do you recognize that there might be a point where government might make an agreement with a student that, "When you find employment, we want you to come and sit down and offer us a repayment plan, and we want you to keep in touch"? Does that make sense to you?

**Mr Peters:** Yes.

**Mr Kormos:** You've transferred those 45,000 outstanding files to the CCS. That's what I understand you to have told me. When were they transferred?

**Mr Jackson:** I couldn't give you the specific date at this point, but it was certainly somewhere around the time of this audit report. If you take a look on page 109 of the audit report, you will note that it's not simply a ministry response but a response from Central Collection Service.

**Mr Kormos:** I'm not disputing that. I understand that. CCS doesn't happen to be located up in Downsview as well, does it?

**Mr Young:** You can head up there tomorrow morning.

**Mr Kormos:** Well, we might have to go take a look. Have you received any reporting back? Do you know what CCS is doing with your 45,000 cases, amounting to \$99

million, the majority of which have received merely minimal collection exercise and the balance, none?

**Mr Zisser:** CCS is certainly indicating that they have increased their collection efforts and that they are currently collecting revenue. We are advised by them that their collection of revenue for 1997-98 will exceed the previous year's level they had reported, so as a result of adding the additional resources, they are working the accounts; they are contacting individuals to try to get them to enter into repayment. They're certainly able to receive calls from individuals wishing to start repayments on their student loans. I think that is the type of activity the auditor referred to that had ceased for some brief period of time, and that is the activity that has been reinstated by CCS, so as we currently continue to transfer accounts to them, they are working those accounts to collect the moneys owed to the government.

1200

**Mr Kormos:** The auditor notes on page 108 that effectively the greater the delay there is before you commence a collection proceeding, the more difficult it is to effect a collection. Do you agree with that proposition?

**Mr Zisser:** That is why I think the approach they have now instituted, which is to have staff on hand to be able to immediately follow up on the accounts, is resulting in additional collections by them.

**Mr Kormos:** Fair enough, but we're talking February 1998 right now. As of October 31, 1996, 14,000 files had received no collection activity, and that amounts to \$44 million of the money owing to the ministry. The fact that CCS was shut down to the tune of 50% and wasn't receiving these files until the auditor's report, and the delay that effected, will impair their ability to collect even if they're fully staffed, won't it?

**Mr Zisser:** I think those were true statements at that time, and as a result of the Provincial Auditor's recommendations CCS has certainly taken steps to make sure those accounts are being worked. As I said, any accounts we are now transferring, including those historical accounts, are receiving attention and collection activities are taking place.

**Mr Kormos:** What I'm going to suggest is that there is a whole lot of those arrears that may become uncollectible by virtue of the inaction on those files for a period of what could be well in excess of two years in view of the fact that the October 31, 1996, is the accumulated number of files and accumulated debt.

**Mr Zisser:** We do not know precisely what the repayment patterns are for students who default on their loans. There is some evidence to suggest that it is sometimes quite possible to get into repayment on loans later on than that because individuals have managed to find employment, have increased the amount of earnings and are now in a better position to repay, but I don't think there is very good information at this point that would lead us to know how student loans differ from standard consumer loans in terms of collection efforts.

**Mr Kormos:** Why did the ministry let these files — well, I'm not saying they did. What did the ministry do as



these files accumulated with no collection efforts on the part of CCS? I get the impression they weren't even shipped over there. I was told that they were only shipped over as of the timing of the auditor's report. Am I correct in the interpretation of that comment, that the files were sitting at the ministry until the auditor's report came out?

**Mr Zisser:** No, the practice within the ministry was to transfer the accounts to CCS at the time we paid the claims. I think the one group of files identified within the Provincial Auditor's report were files that had in fact been transferred to CCS and that had been returned to the ministry by CCS because they were not at that time able to pursue collections on the files.

**Mr Kormos:** Very much so: 10,000 files, \$30 million worth returned to the ministry from CCS with no collection activity, but 4,000 in the ministry that were unprocessed, no collection activity. The ministry didn't even ship them over to CCS. Why not?

**Mr Zisser:** We receive files from banks on a daily basis. Sometimes those are small amounts; sometimes they can be large numbers because banks follow different processes in terms of preparing files for shipment to the ministry, so at any time we will have claims on hand that we will be processing. I think that figure of the 10,000 that's referred to in fact referred to files we were in the process of preparing for payment and transfer to CCS.

**Mr Kormos:** Did your ministry express its concern to the government about the inability or the failure of CCS to act on the files you had shipped to them and had returned to you, some 10,000, \$30 million worth, with no collection activity?

**Mr Zisser:** We were certainly in contact with CCS during this time. We certainly had expressed to them our concerns around the whole area of how collections would proceed and we were seeking clarification as to by what process collection activities would be undertaken in the future.

**Mr Kormos:** Your understanding is that the 50% reduction in staffing is what prevented CCS from acting on any of these files.

**Mr Zisser:** It was our understanding that CCS was at that time pursuing some business directions to find a more effective form of collections and that's what —

**Mr Kormos:** But they hadn't accepted new loans since May 1996. That's what the auditor's report said: They didn't accept a single file since May 1996. We're talking February 1998 now.

**Mr Zisser:** And they have been accepting files from us since last year and all of those accounts are now being pursued for active collections.

**The Chair:** On that note we will recess until 1:30. I would like to invite the deputy minister to be back with her colleagues for more questions.

*The committee recessed from 1207 to 1334.*

**The Vice-Chair (Mr Richard Patten):** We'll resume our session. Again, thank you for being with us this afternoon. We'll continue with the rotation, 15 minutes per caucus. Mr Young, if you would like to start.

**Mr Young:** I want to get a good understanding of this \$90 million that's in arrears and why it's in arrears. Mr Kormos was trying to talk about the logistics of sending it to central collections, and I understand that's important, but doesn't this relate to the high level of youth unemployment in our society at large? All we know is, when you say something is in arrears, there's been no payment for 90 days. That's the only definition I think we have thus far.

What I'd like to know is what percentage of these students have said: "I really want to pay my loan. I want to pay it back as soon as I can. I don't have a job. As soon as I have a job, I will contact you and begin to pay it." What percentage fit into that category, what percentage fit into the category where they just disappear and they can't find them, and are there any other categories?

For those who are working and should be paying back and have agreed to pay back the loans and aren't, we definitely want to give those to professionals at finding them and sitting them down and saying: "We have to have a plan here to get this money back. You made a commitment." For the others, I think we have to go to them and say: "We understand you're in dire straits. We want you to get work as soon as possible. As soon as you do, please come and see us and we'll put together a repayment plan that you can meet."

Can you try and give me a better understanding of what students fit into each category and what measures we are taking, if we're taking any, to deal with the unemployment situation among young people?

**Mr Zisser:** First of all, the vast majority of students are repaying their student loans. So we start from that, that it is working for the vast majority of students. But there is an indication over the past two years where we've been measuring default that students are finding it more difficult to repay their student loans. Both the federal government and the provincial government have measures in place to assist students who wish to repay their student loan but who are unable to make those payments because of the fact that either they don't have a job or the job they have doesn't have sufficient earnings for them to meet their loan repayment obligations.

**Mr Young:** Could you tell us a little bit about those?

**Mr Zisser:** In the case of the provincial and federal programs, in both programs a student isn't required to start repayment at the time they finish school. They have six months from the time they finish school to enter into repayment arrangements with their bank. If at that time they still don't have employment or, based on the job they have, they can't meet the monthly payment, there is an interest relief program available to students.

The way the Ontario interest relief program works is that it looks at a student's income, and if income is insufficient to meet the payment, the province will continue to pay the interest on that loan for the following six months. Students are required then to present themselves at six-month intervals for a period of up to 18 months and they can receive this kind of assistance. That's one of the tools



that is there to assist students who run into repayment difficulties.

**Mr Young:** Would those students, where the government is working to mitigate their circumstances, appear in the number of students who are in arrears?

**Mr Zisser:** No, they would not, because those are students who are continuing to maintain their loan in good standing during this period.

We do not have independent information at this point that gives us any sense as to why students are defaulting on their student loans. The federal government has commissioned some research over the past few years to look at that, and the general findings that come from there are that about half the students who go into default go into default because they simply don't have the ability to meet their repayment obligations. They don't have the income to make the payment.

**Mr Young:** About half?

**Mr Zisser:** About half.

**Mr Young:** That's an educated guess.

**Mr Zisser:** That's what has come out of the type of research that the federal government has done. The other half are students who would be able to repay had they elected to do so.

**Mr Young:** Let me understand what happens when a call goes out from a collection agency, whether it's central collections for the province of Ontario or if in fact it were contracted out. If the collector managed to get the person on the phone, it's not just a matter of them saying: "When are you going to start paying your student loan? You are overdue." Is it a matter of saying, "You should go in and talk to your bank manager," or do they actually negotiate over the telephone and say, "What can you pay us? What can you do? Are you working part-time?" and that sort of thing? What happens in that process?

1340

**Mr Zisser:** At that point it is a debt owed to the crown, and whether it's central collections carrying out the collections or it's a collection agency, they would be following standard collection practice, which is to try to persuade the person to enter into a repayment arrangement. They would certainly be showing some flexibility in terms of the amount of money they're willing to accept on a monthly basis, and in some cases they're willing to look at a settlement at an amount other than the actual outstanding principal.

**Mr Young:** So they do settle some of them.

**Mr Zisser:** Yes.

**Mr Young:** I assume the student would then, if they could get credit, assemble credit, go to a financial institution and say, "Would you lend me this amount of money so I can pay off my student loan?" That might happen sometimes?

**Mr Zisser:** There would be any number of avenues that students would be asked to explore. Depending on what a student's circumstances are, they may be going back and asking their parents for assistance; they may be asking their spouse for assistance. Some of them may very well be in a position to take out a bank loan to retire this

debt. Others would simply enter into a repayment arrangement on a monthly basis and start paying down the debt.

**Mr Young:** But being that we're not experts at it and we're not doing a very good job at it, isn't the answer really to give it to a financial institution that is expert at administering financial arrangements and financial instruments and expert at keeping and maintaining a relationship with an individual and expert at collecting money when it gets behind? Doesn't it really make sense to pass over the entire package to a financial institution that is expert at those things and then do something like the federal government has done, which is to pay a percentage fee for them to administer that?

**Mr Zisser:** Certainly in the case of the federal government, what they are essentially doing is paying a risk premium so that the banks continue to own the loan. They have essentially gotten out of the loan guarantee business for the majority of loans. They leave the loan with the bank. The federal government simply pays a flat percentage of the value of the loan at time of consolidation, and then the banks decide how to pursue that. Whether banks pursue that collection through internal resources or whether they also do that through external resources, those are choices that they make.

**Mr Young:** But doesn't it make sense for us to pursue something like that, because we're not very good at collecting money? The banks are in that business, and they're in the business of building a relationship with clients so that they can lend them money for their cars and their homes and having a lifetime relationship with those clients. Doesn't it make sense for us to pass it over to the experts and then pay the fee, rather than let these things get into arrears further and further?

**Mr Zisser:** We would certainly think that if we could get an arrangement like the federal government has, it would be a very good one.

**Mr Young:** That is something that you're pursuing?

**Mr Zisser:** Yes.

**Mr Fox:** My question is this: We have talked about defaults in the past year and what's currently owed in the past year. What's the total over the years to be collected in OSAP loans in default? This has been around for a number of years, so let's have a figure for total default.

**Mr Peter L. Preston (Brant-Haldimand):** Is that accumulated collections?

**Mr Fox:** Accumulated default.

**Mr Preston:** We know what the default is. You want to know how much they have been able to collect over the years?

**Mr Fox:** No, no. Total default over the years.

**Mr Young:** What's been written off every year, accumulated.

**Mr Jackson:** I don't have a historical total with me. I was actually looking for the table in the Provincial Auditor's report.

**Mr Peters:** Starting at page 106.

**Mr Jackson:** That's the total since 1993-94, year by year. Prior to 1993-94, there certainly are going to be loan



defaults, but they would not be anywhere near this size. The annual loan portfolio prior to 1993-94, loans that were issued, would be around \$80 million to \$90 million, but when the program was restructured in 1993-94 from a grant and loan program to a loan-with-loan-forgiveness program, the annual portfolio in that year went to approximately \$500 million and is now up to \$700 million a year.

**Mr Fox:** So you're saying the grand total then is around \$700 million?

**Mr Jackson:** No. We can go back and find the figures at some point here for the committee, but prior to 1993-94, the annual loan portfolio, the amount that was issued each year, was considerably smaller than it is at the present day, and the reason is that we had a grant program. As a result, we were issuing about \$90 million a year in Ontario student loans.

The program changes in 1993-94 put a lot more reliance initially on loans. As a result, by the time we are in 1997-98, we're going to issue on an annual basis about \$700 million in loans. That's not the default value.

There will be defaults back into the past, but they won't be of the magnitude that you see on page 106 of the auditor's report.

**Mr Fox:** So you haven't given me any indication of a definite figure of what our total default is?

**Mr Jackson:** Right. I said I don't have that information with me.

**Mr Fox:** Would the auditor have that information?

**Mr Peters:** Since the program started, it's about \$135 million.

**Mr Gary Peall:** That's since the change that he was speaking about.

**Mr Fox:** Since the 1993 change, it's \$135 million?

**Mr Peall:** Yes.

**Mr Fox:** Any indication of before that that's still in default? I mean, it was written off, there's no question about it, but this is accumulated.

**Mr Peters:** No, we don't have that.

**Mr Fox:** It would be an astronomical figure, wouldn't it?

**Mr Peters:** I honestly can't —

**Mr Fox:** So we'll have to settle for \$135 million since 1993?

**Mr Preston:** Yes, plus a whole batch to be added to that.

**Mr Fox:** Thank you.

**Mr Preston:** There's \$14 million that was not even processed. Not processed by whom?

**Mr Zisser:** Those would be accounts that have not yet been processed; that is, we have not yet paid the claim to the bank and forwarded that to central collections for collection purposes. There are at any time some claims sitting with the ministry awaiting processing.

**Mr Preston:** We're going to have a \$125-million default, or we had that last year, roughly? You're saying 23%. It's \$550 million, and 25% —

**Mr Trick:** For the current year, the figure is \$90 million.

**Mr Preston:** The current year?

**Mr Trick:** Yes.

**Mr Preston:** So it's 20%, roughly?

**Mr Trick:** It would be a little bit higher than that, but yes.

**Mr Preston:** When we're talking \$125 or \$500 million, a percentage or two really isn't a lot, but I want to find out why the \$14 million and how it becomes \$14 million. If it's \$14 million, how often does this happen, or are we always \$14 million behind in processing?

**Mr Zisser:** The banks submit claims for loss to us on an ongoing basis. It is not an even activity, because the banks structure their activity and sometimes put an effort on in terms of clearing out their accounts, so we may receive a large volume from a specific bank, and at other times we receive small amounts. Over the course of the year, the banks submit claims. Generally they're at least 120 days overdue at the time we are receiving them, but it is not a smooth amount so that every month we are getting the same amount.

Since we have a limited number of resources to process those claims, if we get a sudden flood from banks, it will take us a bit longer to work those down than if they were coming in in a steadier stream. But we do need to process each of those claims to satisfy ourselves that, first of all, it is a claim made on a bona fide loan that we had authorized and that the amount of the claim is appropriate before we then authorize the payment of the claim to the bank.

1350

**Mr Preston:** Would the banks take over to the point where we get out of the loan guarantee business? I think the parameters for granting a loan are going to get much more stringent. I think this morning you said that if a person has three bad credits over 90 days over \$1,000 he wouldn't be considered.

**Mr Trick:** That's correct.

**Mr Preston:** He wouldn't be considered by anybody. If they were all \$900, would we consider them? You've got to know when you get that kind of a person asking for money you're not going to get it back with those kinds of parameters. There's not a credit institution in the world that would give money out with that kind of a credit record — three in the last three years over \$1,000 have defaulted. How can you expect to get money back with that kind of credit reference? That's my question.

**Mr Trick:** I appreciate the point you're making here. We are going to be the second province in Canada to do any credit checking at all prior to a new student getting a loan. New Brunswick is the only province that does this today. We have adopted the same credit-checking standards that New Brunswick has adopted, trying to strike a balance between being diligent in terms of not issuing loans to people who clearly will not be able to pay them back, on the one hand, and, on the other hand, recognizing that the purpose of the program is also to help people make a new start in life in some cases. We're trying to balance those two objectives and essentially we've decided to go exactly where New Brunswick has gone. If,



over time, the evidence is that we should change those standards, then we'll have to address those over time.

**Mr Preston:** What is the average age of a person applying for OSAP?

**Mr Jackson:** I don't have the average age figure. We're talking a group of people in —

**Mr Preston:** Not even ballpark?

**Mr Jackson:** The majority of our students are in the 18- to 24-year-old range.

**Mr Preston:** By the time they're 18 years old they can have three \$1,000 debts in the last three years and still qualify.

**The Vice-Chair:** Mr Young, two minutes.

**Mr Young:** In my conversations with students I've discovered that there is still a small minority who are abusing the system, making less money available for students in real need. Two of the situations were described to me by students. One is, when they fill out the application for their student loan they say they're living on their own and they're not, they're living with their parents, so they have extra money. In some cases they even invest the money while they're in university to make interest or to make profit or whatever. The second one is, they say on their student loan form that they're paying board to their family members when they're not. I have no idea how many. I'm sure it's a small minority, but what are we doing to try and audit this and avoid this abuse of the student loan program? As a matter of fact, one of the students said to me they joke about it. They call it the Ontario stereo acquisition program.

**Mr Jackson:** First, with respect to the latter part of your question dealing with students who claim they pay room and board on the application form, that is not a field on the application form that we ask for information. We provide a living allowance to people based on the fact that they are living at home. This year we introduced, in conjunction with the federal criteria, a practice where even if you were deemed to be an independent student for OSAP purposes, your parents aren't involved in the process, you're required — and if you do indeed live at home we give you the at-home living allowance rate, which is just basic miscellaneous expenses. So what a student may declare for room and board just scribbling on the application form is not going to impact the amount of assistance they get through OSAP.

With respect to the first part of your question — I'll characterize it as address manipulation — when the application forms are submitted to financial aid offices they are reviewed, and one of the things that someone is checking for is the address that the person is claiming.

**Mr Young:** How do they do that?

**Mr Jackson:** Does that match up with the address that they've applied for at the institution.

**Mr Young:** That's all they do? There are no sporadic checks or anything?

**Mr Jackson:** There is not at this present time a specific audit activity surrounding student addresses reported to us, no.

**Mr Young:** What one student told me is: "Once you get the money, you never hear from them. You've got it, you're on your own."

**Mr Trick:** Mr Young, if I could pick up on that, in terms of the particular thing that you're talking about on addresses, it's true that we don't do home visits or things like that to verify students' addresses. I would mention that it is no longer the case that once students get money they never hear from us again. We have over the past year and a half introduced, for instance, income verification against income tax information for both students and their parents and, in relevant cases, their spouses as well. This is something that hadn't been done in the past. The Provincial Auditor mentioned we should do it as a matter of routine.

**Mr Young:** What I'm suggesting, though, is as students talk a lot among each other, if they found out there were sporadic checks and that the odd student had been found who was cheating, that would spread like wildfire and it would cut down the abuse. That's my suggestion.

**Mr Lalonde:** I have quite a few questions. First of all, I'm going to refer to page 275 of the auditor's report. When we look at the accounts receivable, we have a total amount of \$389 million in May 1996, but when I look at it, in May 1996 the government announced that the collection of non-tax accounts receivable was a good candidate for outsourcing. At the time of the announcement the Central Collection Service had a staff of 49. However, 20 staff, including three collection managers, left between May and December 1996 and were not replaced. My question on this: The fact is that you cannot accept any new accounts. What's been done about it at the present time? Does it mean that any collectible amount after 1996 is there, not being touched or not being bothered by anyone at the present time?

**Mr Trick:** No, it doesn't mean that. The Provincial Auditor's report looks at matters at the point in time, obviously, when the report was written. There was a period when central collections was not in a position to take new files from us. As you know, they have gone through an effort to look at outsourcing, and people from central collections, when they testify in front of you, will be able to tell you a little more about how that has worked out and tell you more details there. But I don't want to leave the impression that these files are still with the ministry and nothing is happening to them, because they have gone to central collections and there is collections activity being undertaken.

**Mr Lalonde:** Who has been handling them now?

**Mr Trick:** They go to the Central Collection Service, which is a part of Management Board Secretariat, and that is the part of the government that's responsible for doing collections.

**Mr Lalonde:** I know everything has been computerized in the last couple of years, and everyone agrees with the new technology. But if we don't have the staff to enter this information into the computer, it's going to be pretty hard to follow up on them. Do you intend to replace some of the staff until you have everything in place properly?



**Mr Trick:** The particular issues you're dealing with there would refer to the Central Collection Service rather than to the Ministry of Education, so I couldn't really speak to the details of their management processes. But I'm sure they'd be happy to tell you more about them.

**Mr Lalonde:** You've been sending them to the central collections agency but you know now that they cannot handle them. How is it going to be handled?

**Mr Trick:** My understanding is that they are undertaking collections on the files that we send to them. I'm sorry, I'm not in a position to tell you more details about exactly what they're doing. I'd really have to refer that to them.

1400

**Mr Lalonde:** Before I go to my other question, I'd just like to know if the criteria to qualify for OSAP loans differ for applications that come from the rural area vis-à-vis the urban sector; the fact that in the rural area it could amount to a lot more than for a student who comes from the urban sector because there is no public transportation available. For example, in my riding there's no public transportation and they have to commute to Ottawa, they have to rent an apartment for their boarding.

**Mr Jackson:** In situations where students are required to move away from home to go to school, when we are assessing their financial need we are providing them with a living allowance based on the costs of going away to school, which is a higher living allowance than for the student who lives with their parents and goes to a post-secondary institution in their own community.

Your description was someone commuting on a day-to-day basis. There is an allowance in the assessment to cover the costs of transportation to and from school. If an individual is required to, say, physically move from Timmins to come to school in Toronto, we provide in the assessment an allowance for return trips home that gives an individual one return trip home per term, to get you to school, to get you back to school.

**Mr Lalonde:** But what I referred to in my area, and it is the same in other areas in Ontario, is that there's no public transportation and we're about 40 or 50 miles away from the universities or the colleges. Due to the fact that now they don't have set school hours for certain programs, there's no way they could travel with other people unless they buy their own cars, and you know how much it costs to buy a car, and then they have insurance and everything. So they have to live in Ottawa.

You referred to Timmins. There's a big difference between Timmins and Toronto. If they come to university here in Toronto, definitely they would have to stay in Toronto, but we've had cases in the past where the answer we got when we applied for the OSAP loan was, "Well, all you have to do is live with your parents." Even if you're 20 miles away, it's impossible, because there's no public transportation. I wonder if this is taken into consideration when they do apply.

**Mr Jackson:** We provide a monthly transportation allowance in that situation that you describe that is the equivalent of \$60 a month.

**Mr Lalonde:** Monthly; so it doesn't cover the room and board then.

**Mr Jackson:** If someone requires room and board and is required to live away from home, they are eligible for a living allowance at an away-from-home rate, considerably higher than the at-home rate. We're talking in terms of a monthly living allowance, in addition to that transportation allowance I described, of approximately \$800 a month.

**Mr Lalonde:** Has the minister estimated how many students will be affected by this change announced last Friday? There are quite a few changes in there.

**Mr Trick:** There are a number of changes, and I'm not sure we have an estimate for each one, but the one that would affect incoming students the most I think is the credit screening where the minister estimated — and this is based on New Brunswick experience — that roughly 1% of new applicants to the program would be affected.

**Mr Lalonde:** Second, the minister keeps referring to the OSOTF supplementing student assistance. Does the ministry have the figures on how many students in each school are able to access assistance under this program?

**Mr Trick:** We have estimated that over a 10-year period the figure will be about 180,000. There is an annual reporting requirement from the universities and colleges where they'll tell us year by year what the details are. Since this is the first year for which there are any disbursements, we don't have those reports in yet, but when we do get them in, the information will be available.

**Mr Lalonde:** Thank you. That's pretty good. Also on last Friday's announcement, how much money is currently provided for loan forgiveness?

**Mr Trick:** In the current year it'll be approximately \$300 million. Since we haven't come to the end of the year yet, I couldn't give you a more precise number than that.

**Mr Lalonde:** Around \$300 million.

**Mr Trick:** It would be in the range of \$300 million and we'll have to wait until after March 31 before I could give you a more precise number.

**Mr Lalonde:** Also, in the announcement it was mentioned that it would cost \$10 to file next year's application through the regular mail. Do you have an idea how much money the government will be making from that, or is it going to be reinjected into the OSAP program?

**Mr Trick:** The announcement was that for applications that are made through a paper application there would be an application fee of \$10; where students apply through the Internet there would be no charge. The reason for that is, when we did a study there was about a \$10 difference in our processing costs for the two. In terms of how much revenue we will get, we don't know that yet because it depends really on how many students apply by mail and how many do not. We do get a little over 200,000 applications a year.

**Mr Lalonde:** By mail?

**Mr Trick:** A little bit over 200,000. So the issue really is, we don't know how many will come by Internet and how many by mail.



**Mr Lalonde:** I think you must be aware that not every student has a computer with the Internet and in this case, again, we are penalizing the one who cannot afford to be connected to the Internet.

**Mr Young:** Every student has access to the Internet.

**Mr Kormos:** Thanks for coming back. We're talking defaults versus amounts outstanding, and I really want to clarify so we're sure. The auditor, on page 107, shows the amount outstanding as of October 31, 1996, to be \$99 million. To be fair, let's say October 31, 1997, a year later, what is the total amount of outstanding and payable that is overdue debt?

**Mr Jackson:** If you could give me a minute, I will find it in my binder.

**Mr Kormos:** While you're looking for that, seeing as how there are four of you up there and one of you is going to find the number, the auditor, when he addressed us yesterday and in his report, talked about the status of, effectively, privatization of the CCS. Again, you may not be able to answer this, because I understand you're not here as Management Board bureaucrats, but we were left with the impression that in so far as the auditor knew at the beginning of December 1997, I believe, the process of privatization had not been completed yet. Do you have any information about this process of privatization, in effect converting CCS from a collection agency to a mere management operation?

**Mr Trick:** Mr Kormos, to the best of my knowledge it hasn't been completed, but I couldn't give you any more detail than that.

**Mr Kormos:** Fair enough. I'm interested then because there was an ad hoc contract referred to in the auditor's report that was given some 6,000 student loans amounting to \$18.4 million. That's on page 110 of the auditor's report. These apparently had been written off, and that was in November 1996. So four private collection agencies, notwithstanding that the total privatization hasn't occurred yet, were given the responsibility for picking up \$18.4 million in debt, and it's averaging around \$3,000 per debtor. Here we are 14 months later. What's been the effectiveness of the privatization of that debt collection?

**Mr Trick:** I'm afraid I'd have to refer that to Central Collection Service since it's their contract and I wouldn't be in a position to report on the results they achieved.

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**Mr Kormos:** But it's your money, isn't it, the ministry of colleges and universities?

**Mr Trick:** I'm certainly not trying to avoid your issue here, but within the government Central Collection Service does the collections for the entire government. Our responsibility is to process the documents to such a form that they're in a position to collect them, but I'm afraid none of us is in a position to report on their processes after that.

**Mr Kormos:** So the chief bureaucrats in the ministry of colleges and universities, the Ministry of Education, haven't been told what the impact was of the November 1996 contracting with four private collection agencies for

arrears of \$18.4 million? You haven't been told one way or the other?

**Mr Trick:** I'm afraid I'd really have to refer those questions to them, sir.

**Mr Kormos:** Ms Lacey, you're the chiefest bureaucrat. Has anybody told you?

**Ms Lacey:** No, Mr Kormos, I have not been told.

**Mr Kormos:** Isn't that frustrating?

**Ms Lacey:** Management Board is following a process and we are trying to do the best we can.

**Mr Kormos:** Quite right, but isn't it frustrating? Here you are. No malice, but you're taking a little bit of heat. You took a little bit of heat from the auditor, and nobody's telling you. That's over a year ago and nobody filled you in on the effectiveness of that blitz to pick up \$18.4 million in arrears?

**Ms Lacey:** What we can talk to you about are the issues that were raised earlier this afternoon, where we're trying the best we can to ensure our own practices are in line with our stated objectives.

**Mr Kormos:** Fair enough.

Have we got numbers yet on the current status of arrears?

**Mr Jackson:** This is information we received from Central Collection Service on February 17, 1998. They are presently collecting 45,360 delinquent student assistance accounts, and they total \$158.2 million.

**Mr Kormos:** That's \$158.2 million.

**Mr Jackson:** In addition to those we are putting through, subject to the passing of the federal legislation that Mr Trick mentioned earlier this morning, there are some 9,056 accounts, totalling \$19.4 million, that will be submitted for collection through the income tax setoff program.

**Mr Kormos:** What's interesting is that the number of claims — they're processing 45,000. That also happens to be the total number of claims as of October 31, 1996, although the number has risen from \$99 million to \$158.2 million. I'm looking at page 107. Do you understand what I'm saying? The number of claims has remained the same in over a year, yet the volume has gone up by \$60 million in terms of the dollar value.

**Mr Jackson:** I'm really not in a position to speculate on: Are these the same accounts? Are these different accounts? Are these a rollover of accounts? I anticipated we would get a question like this at public accounts so I did try to find out what's over there.

**Mr Kormos:** Listen, the impression I'm getting is that you people have been trying to find out a whole lot over the course of the last couple of years, to no avail, and through no fault of your own.

But the figure you give us of \$158.2 million, you say CCS reports that's the amount of arrears they're currently pursuing. Is that the total amount of arrears payable to the province of Ontario by students in arrears? I understand that's the amount they're pursuing, but is that the total amount of arrears?

**Mr Jackson:** That is the total amount of arrears, is my understanding.



**Mr Kormos:** That's a remarkable increase over the course of one year. I appreciate that the bar graphs of "Total Cost of Defaulted Loans" on page 106 reflect a tremendous increase.

We might have gone through this a little bit earlier. What collection techniques have historically been used to pursue these debts?

**Mr Zisser:** My understanding from conversations we've had with CCS is they have used a combination of methods, from using their own staff to using external contractors to carry out the collection for portions of the portfolio. As I understand it, there has always been a practice of using external collection agencies to collect on accounts.

**Mr Kormos:** All right. But is it like those letters I'm still getting from Time-Life publishers saying, "You owe us \$37 for your porch and basement repair book and if you do not pay immediately your credit rating will be put at risk"? Is it dunning letters? Is that the tactic?

**Mr Zisser:** I don't have a history with the collection side of this business, but I have certainly visited collection agencies. I would say that the collection practices are probably much more active than that, that they're not using letters.

**Mr Kormos:** Are they seeking judgements? Are they filing Small Claims Court actions? The limit is \$6,000 in Small Claims Court, I think it is now. Are they getting judgements?

**Mr Zisser:** I don't know the range of methods that are being used by the collection agencies when they receive the accounts.

**Mr Kormos:** When you say "collection agencies," are you speaking of the private ones now?

**Mr Zisser:** Both the CCS as well as the collection agencies they may employ from time to time to pursue these accounts.

**Mr Kormos:** Your ministry isn't aware and hasn't been advised of the tactics being utilized by CCS to effect collections?

**Mr Zisser:** It's my understanding that currently the approach CCS is using is that it is calling individuals to enter into repayment arrangements with them, that the additional staff they've hired, as well as the staff who are currently there, are pursuing collections through a strategy of calling.

**Mr Kormos:** Okay. We've got the figure of \$158.2 million outstanding, 45,000 cases as of two days ago. We were told earlier that the auditor's report resulted in a whole lot of files being shipped over to CCS. I hope I'm correct on both accounts. Am I correct?

**Mr Zisser:** The reason the amount of accounts there is now greater than it was at the time the Provincial Auditor tabled this report is that we have processed additional claims and all of those claims have been sent over to CCS for collections.

**Mr Kormos:** Sure. Again, I take your word for it. CCS advises you that \$158.2 million is outstanding as of two days ago and that they began this process, we pre-

sume, in the late fall of 1997, because until then they didn't have the files, correct?

**Mr Zisser:** They had some of the files, but as I understand it, they were not in active collection.

**Mr Kormos:** How much money has CCS collected over the last year?

**Mr Zisser:** I don't know.

**Mr Jackson:** I do not know how much money Central Collection Service has collected. I think the Provincial Auditor found a similar situation. I note on page 107, "Neither Central Collection Service nor the ministry could provide us with reliable information regarding the results of past collection activity...." We're not the collectors.

**Mr Kormos:** I understand.

I've got to tell you, I come from a community where people — my grandmother, for instance — some of you are tired of hearing about her — was illiterate, from eastern Europe, couldn't read or write. She ran a small grocery store. She knew how much her customers owed her and she knew how much she had to pay for the utility bill and how much she had to pay for the rent on her location. There was an old country peasant lady who had no reading or writing skills either in her own language or least of all in English. Do you understand my frustration at you folks not being able to give us these kinds of data when people where I come from, without all of your resources and without computers, know these sorts of things? They know them off the tops of their heads because they're important to them. Isn't it important to us to know?

**Mr Trick:** I'd certainly understand the frustration of your wanting a briefing on central collections, and we're just not the right people to give that briefing to you. I want to emphasize the sorts of responsibilities we've taken here compared to them. The responsibility we have undertaken is to try to run this program more effectively so that loans that are given out are given to people who are likely to be able to repay them. We have a repayment plan so that students are likely to be able to afford to repay their loans. These are the kinds of things we've been undertaking for the past year. I appreciate that doesn't get to your problem with central collections, but there are people in a better position than we are to tell you more about that.

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**Mr Kormos:** Ms Lacey, I've been re-reading this 1997-98 performance contract that targets, for instance, OSAP costs for loans issued in 1997-98 reduced by \$80 million — that's the target that has been achieved — that talks about a default control strategy for OSAP, implemented savings revenue increases and staff reductions. It appears that target has been achieved. I understand there is going to be an announcement shortly for a 15-year repayment period with some sort of income sensitivity, so that target in your performance contract will be achieved. I understand that there is within the ministry work going on with respect to tuition fee deregulation, that there has always been some at the University of Western Ontario, so that target has been achieved.

It seems that the targets in that performance contract are being pursued. I trust, then, that the target for a

\$667-million reduction in education spending remains a target for the ministry as well in view of the fact that the others all appear to be under way. Will you tell us whether that target is going to be achieved as well, or pursued?

**Ms Lacey:** Mr Kormos, I think we're here this afternoon to talk about student loans, the business plan for the government that we have been working on that speaks to a number of issues that are clearly of interest and concern to the ministry. As you have seen this afternoon, we follow the desires and direction in the best way possible. Some objectives are clearly objectives that we're working on. Others, as you have heard this morning and this afternoon, have obviously not been achieved. But I think this afternoon we're talking specifically about student loans.

**Mr Kormos:** And you don't want to talk about the \$667-million objective, do you?

**Ms Lacey:** I think what I said was that we're here to talk about one specific subject. I don't think I'm in a better position to talk about that than I am to talk about the evaluation of grade 3, grade 6, grade 9 students, or than I am about the reform of apprenticeship programs or about many other topics. In fact, I don't know but I think there are several hundred objectives in that performance review, so I think this afternoon specifically we will address the questions you will have on this topic, Mr Kormos.

**The Vice-Chair:** Time is up. Thank you. Saved by the bell. That's all the questions we have over here? Mr Lalonde, you're fine? Mr Kormos, okay? Thank you for appearing before us. We may invite you back to discuss the other part of education at some point, but for now it was on the real stats of the program. Thank you for coming before us.

**Ms Lacey:** Thank you, Mr Chair.

**The Vice-Chair:** By the way, there was one question the auditor had related to the collections. Do you want to comment?

**Mr Peters:** Yes, I just want to very quickly comment that on this specific point that you raised, Mr Kormos, there is a dual response. The first part of the response is actually from the Minister of Education, but there is also a response from the Central Collection Service, and their particular problem hopefully will come before the committee later on in the spring.

**Mr Kormos:** I appreciate that. I was just flabbergasted that the ministry wouldn't be advised of what was being done on their behalf by CCS.

**Mr Peters:** Then I may add just a quick comment. To the best of my understanding, and maybe the ministry staff should correct me on that, once the account is turned over, the money that is collected does not flow back to the ministry, so the account stays there and their interest is somewhat diminished.

**Mr Kormos:** Once again, quite right, but surely the deputy minister would want to know how effective that collection process is.

**Mr Peters:** And communication definitely has to be there. That's right.

**Mr Kormos:** We have things like Web sites and Internet and telephones.

**The Vice-Chair:** Do we have a few minutes to talk about the report in closed session?

*The committee continued in closed session at 1430.*



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#### Also taking part / Autres participants et participantes

Mr Erik Peters, Provincial Auditor  
Mr Gary Peall, director,  
education and training audit portfolio, OPO

#### Clerk pro tem / Greffier par intérim

Mr Douglas Arnott

#### Staff / Personnel

Ms Elaine Campbell, research officer, Legislative Research Service











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